

Charters

Entry

Comptroller's Corporate Manual

Washington, DC
April 1998

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This booklet should be used together with other booklets of the *Comptroller's Corporate Manual* (manual). Users should refer to the "[General Policies and Procedures](#)" (GPP) booklet for a discussion of general filing instructions and procedures. In addition, new charter applicants may need to refer to other booklets, including:

- "[Public Involvement](#)" for guidance about publishing the application and, if appropriate, procedures for processing comments and hearings.
- "[Background Investigations](#)" for guidance about submission of biographical and financial reports.
- "[Corporate Organization](#)," if a charter application is granted preliminary approval.
- "[Branches and Relocations](#)," whenever a branch is proposed in connection with a new bank charter.
- "[Fiduciary Powers](#)," whenever a new national bank will engage exclusively in fiduciary activities or will offer them through a department of a commercial bank.
- "[Investment in Subsidiaries and Equities](#)," whenever an investment in a subsidiary is contemplated at the time of the bank opening.

Applicability

The policies and procedures in this booklet apply to requests for new full service national bank charters, national trust banks, national credit card banks, national bankers' banks, and national banks with a special focus, such as community development or cash management activities. Special requirements appropriate for proposed banks with a limited or special focus are discussed later in this booklet. Holding companies wishing to use an interim national bank should follow the procedures in the "Business Combinations" booklet of this manual.

Definitions

An **affiliated bank** is one that meets the definition found in 12 USC 221a.

An entity controlling 25 percent or more of a bank must register as a **bank holding company** (BHC), if the controlled bank is covered by the definition of a bank found in the Bank Holding Company Act (BHCA) (12 USC 1841(c)).

Certain limited purpose banks (e.g., credit card banks and trust banks) are not defined as banks under the BHCA.

A **bankers' bank** is a national bank owned exclusively, except for directors' qualifying shares, by other depository institutions or depository institution holding companies. Bankers' bank activities are limited to providing:

- Services to or for other depository institutions, their holding companies, and/or the officers, directors, and employees of such institutions.
- Correspondent banking services at the request of other depository institutions or their holding companies.

A **central city**, as defined in 12 CFR 5.3(e), means the city or cities identified in the complete title of the Metropolitan Statistical Area (MSA) in which the relocating office is located.¹

Control has the same meaning as used in the BHCA (12 USC 1841(a)(2)).

An **eligible bank** is a national bank that:

- Has a composite CAMELS rating of 1 or 2.
- Has a satisfactory or better Community Reinvestment Act (CRA) rating. (This factor does not apply to an uninsured bank or branch or a special purpose bank covered by 12 CFR 25.11(c)(3).)
- Is well capitalized as defined in 12 CFR 6.4(b)(1).
- Is not subject to a cease and desist order, consent order, formal written agreement, or prompt corrective action directive; or, if subject to any such order, agreement or directive, is informed in writing by the Comptroller of the Currency (OCC) that the bank still may be treated as an "eligible bank."

Executive officer positions normally include the chairman of the board, the president, every vice president, the cashier, the secretary, and the treasurer, consistent with the definition in 12 CFR 215.2(e)(1).

¹The Office of Management and Budget's (OMB) lists of MSAs and Central Cities can be found on the Internet at <http://www.census.gov>. At the "Subjects A-Z" menu, click on "M," then on Metropolitan Areas, then on Metropolitan Area Definitions, then on Central Cities of Metropolitan Areas. Copies of the OMB list may also be obtained by requesting the most recent "List of Metropolitan Area Definitions" (accession no. PB96-180575) from National Technical Information Services (NTIS), Document Sales, 5205 Port Royal Road, Springfield, VA 22161, (703) 487-4650.

An **existing BHC** is defined as one that has received Federal Reserve Board (FRB) approval to become a BHC and has been in operation for at least three years prior to filing its application to organize a new bank.

An organizing group is considered **experienced in banking** if a majority of its members have three or more years of recent (not to exceed six months), significant involvement in policy making as directors or executive officers in the same or affiliated federally insured institutions that the OCC finds have performed satisfactorily.

Final approval means the OCC action of issuing a charter certificate and authorizing a national bank to open for business.

Holding company means any company that controls or proposes to control a national bank regardless of whether it is a BHC under 12 USC 1841(a)(1).

An **insider** is a proposed organizer, director, principal shareholder, or executive officer of the proposed national bank.

An **insider contract** is any financial or other business, voting, or ownership agreement, arrangement, or transaction, direct or indirect, oral or written, between any insider and the proposed bank.

Lead depository institution means the largest depository institution controlled by a BHC, based on a comparison of the total assets controlled by each depository institution as reported in its Consolidated Report of Condition and Income (call report) required to be filed for the immediately preceding four calendar quarters.

A **low- or moderate-income area**, as provided in 12 USC 1831r-1, means a census tract for which the median family income is: (1) less than 80 percent of the median family income for the MSA in which the census tract is located; or, (2) in the case of a census tract that is not located in an MSA, less than 80 percent of the median family income for the state in which the census tract is located, as determined without considering family income in MSAs in such state.

A **national bank** means an insured or uninsured national banking association and any bank or trust company located in the District of Columbia operating under the OCC's supervision.

Organizers are the persons who filed and signed the charter application. An organizing director may be added during the organization phase, if his/her Interagency Biographical and Financial Reports is filed with the OCC and receives no objection. This director also becomes an "organizer."

Organizing group means five or more persons acting on their own behalf, or serving as representatives of a sponsoring holding company, who apply to the OCC for a national bank charter.

A **principal shareholder** is a person, other than an insured bank, that directly or indirectly, or acting through or in concert with one or more persons, owns, controls, or has the power to vote more than 10 percent of any class of voting securities of the proposed bank consistent with the definition in 12 CFR 215.2(m).

Preliminary approval means a decision by the OCC permitting an organizing group to proceed with the organization of a proposed national bank. A preliminary approval generally is subject to certain requirements that an applicant must satisfy before the OCC will grant final approval. As used in this booklet, the term "preliminary approval" includes an application granted preliminary conditional approval (i.e., approval subject to special conditions in addition to standard requirements).

The **spokesperson** is an organizer and proposed director of a proposed bank. In certain circumstances (excluding independent charters), the spokesperson instead may be a representative of (1) a holding company sponsor, (2) people currently affiliated with other depository institutions, or (3) people who, in the OCC's view, otherwise are collectively experienced in banking and have demonstrated the ability to work together effectively.

A new bank is a **subsidiary of a holding company** if 25 percent or more of its voting stock will be owned or controlled by a holding company or if the FRB (or the OCC, as appropriate) determines that a holding company otherwise has the power to elect a majority of the directors or to control the bank in any other manner.

Key Policies

General

The marketplace is normally the best regulator of economic activity, and the competition therein promotes efficiency and better customer service. Accordingly, the OCC approves proposals to establish national banks, including minority institutions, that have a reasonable chance of success, will foster healthy competition, and will be operated in a safe and sound manner. In so doing, the OCC does not guarantee that a proposal to establish a national bank is without risk to the organizers.

The OCC evaluates a proposed national bank's organizing group and its operating plan. The OCC's judgment of one may affect the evaluation of the other. An organizing group and its operating plan must be stronger in

markets where economic conditions are marginal or competition is intense. If unprecedented or unusual banking services or corporate arrangements are proposed, the OCC may require additional information and may conduct a more intensive review.

Decision Criteria

In reaching its decision, the OCC considers whether the proposed bank:

- Has organizers who are familiar with national banking laws and regulations.
- Has competent management, including the board of directors, with ability and experience relevant to the type of services to be provided.
- Has capitalization that is sufficient to support the projected volume and type of business.
- Can reasonably be expected to achieve and maintain profitability.
- Will be operated in a safe and sound manner.

The OCC also may consider the risk to the Federal Deposit Insurance Fund and whether the proposed bank's corporate powers are consistent with the intent of the Federal Deposit Insurance Act.

The OCC also considers a proposed bank's plans for meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of the bank.

Standard Requirements and Special Conditions

When the OCC grants preliminary approval to a charter proposal, it imposes standard requirements on the proposal. Often, the organizing group must meet most of the standard requirements before opening (see [Standard Requirements in the Appendixes](#)).

In addition, the OCC may impose special conditions. Special conditions take two forms. The first one must be satisfied by the organizing group before opening (e.g., raising a minimum level of capital net of organization costs). The second, which is considered a "condition imposed in writing" within the meaning of 12 USC 1818, remains in place after the bank opens (e.g., maintenance of a capital floor) and continues until the OCC removes it.

Summary of Process

Prefiling Discussions

As soon as the organizers are prepared to proceed, a representative should contact the OCC's Licensing staff in the appropriate district office to schedule a prefiling meeting. Prior to the meeting, the organizers should review this entire booklet to become familiar with the procedures for chartering a new national bank. The OCC expects all organizers of the proposed new national bank to attend the prefiling meeting. When requested, OCC staff will consider conducting the prefiling meeting at a location proposed by the filer rather than at the OCC.

At the prefiling meeting, or in informal discussions, the Licensing staff reviews with the organizing group the OCC's chartering policy and procedures and the requirements for filing a charter application and organizing a national bank. Federal Deposit Insurance Corporation (FDIC) staff also may participate in the prefiling meeting to discuss pertinent procedures and requirements for obtaining deposit insurance. (Also, see the FDIC's deposit insurance policy statement, available from its Communications Office, Public Information Center, 801 17th Street NW, Washington, DC 20434, or from its internet site, <http://www.fdic.gov>.)

Streamlined Submission

The OCC may permit a streamlined submission of a charter application, if the sponsor meets certain requirements. Normally, an application that qualifies for expedited review is filed using a streamlined submission without prior consultation with Licensing staff. Otherwise, the sponsor or organizing group must submit its request to make a streamlined submission to, and receive approval from, the licensing manager in the appropriate district office prior to filing the charter application. In reaching a decision to allow a streamlined submission for applications that do not qualify for expedited review, the OCC requires one of the following two criteria to be met:

- The sponsor should be an "existing bank holding company" that does not have any depository institutions subject to special supervisory concerns.
- The organizing group should be "experienced in banking."

Even if the previous criteria have been met, the OCC may not allow a streamlined submission if:

- The chief executive officer (CEO) has not worked previously with the organizing group.

- The organizing group lacks experience operating in a particular type of market.

If the request to file a streamlined submission is approved, the sponsor or group may submit an abbreviated charter application to the OCC. Limitations on submissions are detailed in the application instructions (see Documents, Application Instructions). The OCC may require additional information at any time to reach an informed judgment about the application. If the request for a streamlined submission is denied, the OCC will require the application to be completed according to its standard submission guidelines.

Expedited Review

An application to establish a national bank that is sponsored by a BHC whose lead depository institution is an eligible depository institution is deemed to be preliminarily approved on the 15th day after the close of the public comment period, or the 45th day after receipt, whichever is later, unless the OCC notifies the applicant prior to that date that:

- The filing is not eligible for expedited review or the expedited review process is extended under 12 CFR 5.13(a)(2).
- The proposed bank will offer banking services that are materially different than those offered by the lead depository institution.

Standard Submission and Review

Most organizing groups and many sponsors must file their charter applications using the OCC's standard submission guidelines (see Documents, Application Instructions). Unlike applications accorded expedited review, charter proposals accorded standard review are not approved through the passage of time; however, the OCC seeks to make a decision within 120 days after receipt or as soon as possible thereafter. These applications also are subject to a 30-day comment period. A well-researched and thoughtfully prepared application helps the OCC to make a timely decision.

New Charters in Low- or Moderate-Income Areas

The OCC does not require a corporate filing fee for the charter of a new bank that will be located in an area that meets the following two requirements:

- The area is a low- or moderate-income area.

- No other depository institution operates a branch or main office in that area.

Application Filing and Processing

After the prefiling meeting, the group files an application, including an operating plan and appropriate biographical and financial reports on all identified insiders. The organizing group must designate a spokesperson, who serves as the primary liaison between the OCC and the organizers. The group also is strongly encouraged to submit information on the proposed CEO (see [Specific Filing Requirements, Identification of the CEO](#)). In many cases, the CEO serves as the group's spokesperson.

The OCC begins to process each application immediately upon receipt. As appropriate, the OCC reviews and analyzes the proposal, completes background and field investigations, and resolves any unusual or novel issues (see [Procedures—Charter Processing](#)).

Publication Requirements and Comment Periods

Each applicant must publish a notice of application in a newspaper of general circulation in the community in which the proposed bank will be located as close to the date of filing as practicable. If the application is an interstate filing, the OCC may extend the 30-day public comment period to allow sufficient time for all interested parties to comment (see the "[Public Involvement](#)" booklet).

Deposit Insurance and Filing with the FDIC

The OCC normally requires FDIC insurance for all national bank charters, except for uninsured trust bank proposals. The OCC and the FDIC encourage simultaneous submission of the charter and deposit insurance applications, respectively, to expedite processing. Organizers may append the OCC's charter application to the FDIC's deposit insurance application, when information requests are the same. Although the FDIC may reduce information requirements for some applicants, each applicant should discuss deposit insurance application requirements with appropriate FDIC staff.

To the extent possible, the OCC and the FDIC coordinate their investigations to minimize the burden to the applicant and to eliminate duplicative regulatory effort (e.g., the FDIC may rely upon OCC background investigations and may conduct its investigation concurrently with OCC staff). The FDIC may take final action on its deposit insurance application before other regulators decide their applications, if there is no material disagreement on the action to be taken.

Background Investigations

The OCC normally requires each proposed insider to submit biographical and financial reports (see the "[Background Investigations](#)" booklet). The OCC conducts background checks to assess a person's competence, experience, integrity, and/or financial ability. The OCC will determine independently the accuracy and completeness of information submitted for each person and must not object to each serving in the proposed capacity.

Operating Plans

The organizing group prepares the operating plan, which is critical to the OCC's decision of whether to grant the group approval to organize a national bank. The plan must reflect sound banking principles and demonstrate realistic assessments of risk in light of economic and competitive conditions in the market to be served. The plan should contain sufficient information to demonstrate that the proposed bank has a reasonable likelihood of success. Assumptions and projections should be realistic and consistent with all other information presented in the application. In addition, it should address adequately statutory and regulatory changes that may affect the proposed bank's operations.

Community Service

The operating plan should indicate the organizing group's knowledge of and plans for serving the proposed bank's assessment area(s). The organizing group must evaluate the banking needs of the community, including its consumer, business, nonprofit, and government sectors. The operating plan should demonstrate how the proposed bank will respond to those needs consistent with the safe and sound operation of the bank.

The CRA does not apply to certain special purpose banks, such as bankers' banks and banks that engage in only one or more of the following activities: providing cash management controlled disbursement services or serving as correspondent banks, trust companies, or clearing agents (see 12 CFR 25.11(c)(3)). In those cases, the community service discussion may be omitted from the operating plan.

Some other banks may seek designation as a wholesale or limited purpose bank (see 12 CFR 25.12(o) and (w), and 12 CFR 25.25(b)). A limited purpose bank offers only a narrow product line, such as credit card or motor vehicle loans, to a regional or broader market. To obtain that designation, a request should be submitted with the charter application, and a targeted community service discussion should be included in the operating plan.

Additional Information

The OCC will request clarifications or limited additional information through the spokesperson. Those requests do not reflect negatively on the organizing group. Conversely, the OCC may deny or conditionally approve the proposal, if the additional information provided is insufficient to determine the bank's prospects for success or a poor operating plan is presented.

Field Investigations

The OCC normally does not conduct a field investigation for a charter application accorded expedited review. The OCC, however, conducts a field investigation for every charter sponsored by an independent group. Otherwise, the OCC will determine on a case-by-case basis whether to conduct a field investigation.

The OCC tailors the scope of each investigation, during which a national bank examiner may review relevant materials, interview insiders and other identified persons, explore matters related to the proposed bank's operations, and meet with the organizing group to discuss findings. The findings from that investigation will influence the OCC's overall analysis and review of the application. Whenever possible, the OCC will coordinate its investigation with that of the FDIC.

Amendments

Organizers may file amendments to the application during the review process. However, the OCC may conclude that the submission of numerous and/or significant amendments during the review period have rendered the original application obsolete, which reflects negatively on the group. In such cases, the OCC may deem the original application to be withdrawn or deny it. The organizers must then file a new application and filing fee to be considered by the OCC as a "new" proposal.

Decision and Post-Decision Events

Following review of the application, the OCC will decide whether to grant preliminary approval or deny the request to charter a new national bank. If the OCC grants preliminary approval, it will notify the spokesperson and other interested parties in writing of its decision. The organizing group then may begin to organize the bank according to the plan set forth in the application, using the organizing instructions in the "[Corporate Organization](#)" booklet. A preliminary approval decision is not an assurance that final approval will be granted. If preliminary approval is withdrawn or the application is denied, the OCC will convey the reasons in writing, and the organizers personally must pay all expenses incurred in connection with the proposal. A bank cannot begin the business of banking or engage in

fiduciary activities until the OCC grants final approval. (For a complete discussion of the organization of a national bank, see the "[Corporate Organization](#)" booklet.)

Specific Filing Requirements

Organizing Group's Role

The organizing group must be comprised of five or more persons. Normally, many, if not all, of the organizers serve as the bank's initial board of directors. The president of the proposed bank, who is usually the CEO, must be a board member. All directors must comply with the requirements in 12 USC 72, unless a waiver request is submitted to and approved by the OCC (see the "[Director Waivers](#)" booklet).

The organizers are responsible for:

- Ensuring that the group consists of persons with diverse business and financial interests and community involvement.
- Having a personal history that reflects responsibility, honesty, and integrity.
- Exhibiting substantial personal and financial commitment to the proposed bank relative to their collective (and individual) financial strength.
- Selecting the CEO and other executive officers early in the application process who have the necessary experience to enhance the proposed bank's likelihood of success.
- Developing an operating plan that demonstrates the group's collective ability to establish and operate a successful bank in the economic and competitive conditions of the market to be served.
- Being familiar with the operating plan and their part in its successful implementation.
- Designing organizer compensation proposals that are consistent with OCC guidelines (see the "[Corporate Organization](#)" booklet).

Although personal wealth is not a prerequisite for a national bank director, a director should not depend on bank dividends, fees, or other compensation to satisfy financial obligations. Because directors are often the primary source of additional capital for a bank not affiliated with a BHC, an organizer who

also is proposed as a director should be able to supply capital, or have a realistic plan to enable the bank to obtain it, if needed.

Identification of CEO

Selection of a qualified CEO is one of the organizing group's most important decisions affecting the success of the new bank. The organizing group and its CEO must have the experience, competence, willingness, and ability to actively direct the proposed bank's affairs in a safe, sound, and legal manner. The organizing group may find the "Management Selection Guidelines" in the Appendixes of the "[Background Investigations](#)" booklet useful for conducting its investigation of the proposed CEO's background and qualifications.

The OCC considers the CEO as essential for a new bank's success. The proposed CEO should:

- Be involved actively in developing the proposed bank's business plan. The CEO must implement the proposed plan successfully once the bank opens.
- Be a well-rounded person with strong leadership skills, who has managed a bank or similar financial institution successfully or has successful experience as an officer in areas relevant to the proposed bank's marketing strategy and needs.
- Possess skills that complement those of the directors and other proposed members of the executive officer team, including extensive experience in operations or administration.

The OCC can better evaluate proposed management in its review of the operating plan, when the name of the proposed CEO is disclosed in the application. The proposal of a strong CEO, organizing group, and board of directors enhances the chances of preliminary approval. Selection of a CEO the OCC finds unqualified for the position, whose prior banking experience is unsatisfactory, or who otherwise is unacceptable could reflect negatively on the organizers and result in disapproval or revocation of preliminary approval, particularly when the CEO's identity was not disclosed in the application.

Decisions about a proposed CEO are based on a person's suitability for that position with a specific new bank and are not intended to determine eligibility for other jobs. The OCC generally will not grant approvals subject to the condition that a more suitable CEO be proposed.

Sponsor's Role

For an application sponsored by a BHC or other holding company, persons affiliated with other depository institutions, or those collectively experienced in banking, the OCC will evaluate the financial and managerial resources of the sponsor rather than those of the organizing group. The OCC will review, for consistency and compatibility with the proposed bank's operating plan, a sponsor's record of performance, overall philosophy, and plans (e.g., strategy, capital, management, and profitability). The OCC may deny or approve conditionally a sponsored new bank application, if the condition of the parent company and/or any affiliates are subject to supervisory concern. Conversely, when the sponsor serves as a substantial source of strength, the OCC may approve an application, even in a market in which economic conditions are weak and/or competitive conditions are intense.

A BHC, or a company that would become a BHC, because of its ownership of a proposed bank, must obtain FRB approval to acquire a newly established bank before the OCC will grant final approval. Sometimes a company, not qualifying as a BHC under federal law, still could be considered a BHC under state law. Certain holding company activities permitted by federal law may be prohibited by state law. Consequently, each sponsor of a proposed bank must demonstrate that its application meets all standards imposed by both federal and state law.

Depository Institutions Management Interlocks Act (DIMIA)

DIMIA prohibits certain management interlocks between nonaffiliated depository organizations. The OCC may permit an interlocking relationship, if one of the organizations is a newly chartered bank and the relationship is deemed necessary to provide management or operating expertise to the organization (see the "[Management Interlocks](#)" booklet).

Year 2000 Considerations

The OCC expects all national banks to have an action plan to address year 2000 systems issues. The OCC will consider those issues in deciding an application for a new bank charter.

OCC Guidance

The OCC has issued the following advisory letters about year 2000 systems issues:

- [Advisory Letter 97-6](#) (AL 97-6), dated May 16, 1997, which outlines comprehensive guidance for banks to effect a year 2000 compliant system.

- [Advisory Letter 97-10](#) (AL 97-10), dated December 17, 1997, which outlines safety and soundness guidance for year 2000 business risk.
- [Advisory Letter 98-1](#) (AL 98-1), dated January 20, 1998, which outlines OCC year 2000 expectations for year-2000-covered applications.
- [Advisory Letter 98-3](#) (AL 98-3), dated March 27, 1998, which outlines guidance concerning certain risk factors and due diligence to consider when assessing year 2000 vulnerabilities.

Advisory Letters established the following target time frames to accomplish critical actions for year 2000 compliance:

- September 30, 1997 — The bank should have identified affected applications and databases. Mission critical applications should be identified and an action plan set for year 2000 work.
- June 30, 1998 — The bank should have implemented a process which identifies, assesses, and controls the year 2000 risks (i.e., credit, liquidity, or counterparty trading risks) posed by their customers.
- December 31, 1998 — Code enhancements and revisions, hardware upgrades, and other associated changes should be largely completed. In addition, for mission critical applications, programming changes should be largely completed and testing should be well underway.

Between January 1, 1999 and the end of that year, the bank should be testing and implementing its year 2000 conversion programs.

Assessment of Year 2000 Compliance

Each charter applicant must ensure compliance with [AL 97-6](#), [AL 97-10](#), [AL 98-1](#), [AL 98-3](#), and any other subsequent OCC year 2000 guidance. During the corporate review process, the Licensing staff will consult with the appropriate supervisory staff (i.e., portfolio manager, ADC, or BIS) to verify that the bank is on schedule with the target time frames of [AL 97-6](#) or subsequent guidance. For the most current guidance about year 2000 issues, refer to the OCC's Internet site, <http://www.occ.treas.gov> or call the OCC Information Line (fax-on-demand service).

The OCC:

- Expects the applicant to submit a representation about year 2000 compliance and an action plan that complies with year 2000 guidance.

- Expects any new, internally-developed systems to be year 2000 ready.²
- Strongly encourages the bank to choose a year 2000 ready vendor, if it plans to purchase applications software or systems or to contract for data processing services.

In the event the bank selects a vendor that is not yet year 2000 ready, the OCC will determine whether the bank can ensure sufficiently that:

- The vendor has a year 2000 compliance plan.
- The vendor has sufficient resources (e.g., hardware, people, dollars) to complete its year 2000 conversion project within the time frames of [AL 97-6](#), [AL 98-3](#), and subsequent OCC year 2000 guidance.
- Bank management monitors its vendors' year 2000 conversion efforts and develops contingency plans, including trigger dates, for mission critical applications should vendor solutions or time frames prove inadequate.

Licensing staff will:

- Obtain a representation from the applicant about year 2000 compliance.
- Coordinate a review of year 2000 preparedness in consultation with supervisory staff.

Deficiencies or Concerns

The OCC will conduct additional reviews for any charter application that is not in compliance with the OCC's year 2000 guidelines. At that time, the OCC may:

- Assess the applicant's financial and managerial ability to remedy any year 2000 deficiencies.
- Review its plans to remedy any year 2000 deficiencies.
- Remove the application from expedited review status to review compliance issues further.

²When the applicant belongs to a larger domestic or foreign banking organization, existing in-house systems will be subject to the year 2000 compliance time frames of OCC Advisory Letter [97-6](#) or subsequent guidance.

- Impose appropriate conditions, enforceable under 12 USC 1818, to address year 2000 concerns, if the problem represents a significant supervisory concern. Appropriate conditions could include:
 - Specific requirements and time frames for specific remedial actions.
 - Specific measures for assessment and evaluation of the bank's year 2000 status or progress.

The OCC may deny a filing if the problems represent a significant supervisory concern or if approval would be inconsistent with applicable law, regulation, or OCC policy.

Contracts

Any insider contract must be made on nonpreferential terms and submitted to the OCC for review. In addition, if the proposed contract involves an insider, the OCC requires at least one independent appraisal of the contract, which includes:

- Its description (e.g., assets, property, service).
- Its terms.
- Evidence showing that the contract is fair, reasonable, and comparable to similar arrangements that could have been made with unrelated parties.

Each insider contract also must be disclosed to proposed or actual shareholders. Copies must be maintained in the bank's files and made available to shareholders upon request.

Typical agreements and/or contracts include:

- The sale or other transfer of any organizer stock in the proposed national bank, including a voting trust or other voting agreement.
- An organizer acting as representative of or on behalf of any person associated with the proposed national bank or the proposed bank itself.
- The payment or receipt of any money or thing of value as compensation for services rendered or property transferred in organizing the proposed national bank (e.g., purchase or lease of banking premises, furniture, equipment, fixtures, supplies, consultant or legal fees, preparation of registration statement or nonpublic offering, solicitation of stock).

Regardless of insider involvement, every contract, including real estate or employment commitments, should include provisions addressing obligations of, and options available to, the parties should the OCC experience delays in processing the application; deny the application; revoke its approval later, or object to a person serving in any proposed capacity.

A proposed national bank may not pay any fee contingent upon an OCC decision. Such action is grounds for denial of the application or withdrawal of preliminary approval.

Organization Costs

Organizers must contribute time and expertise to the organization of the bank. Organizers should not bill excessive charges to the bank for professional and consulting services or rely unduly upon those fees as a source of income. Further, organizers should act prudently on all financial and other aspects of the proposal.

The OCC reviews all expenses associated with the proposal prior to granting final approval. It may disallow certain charges if they are considered excessive or unnecessary. Those charges become the obligation of the organizing group. The organizing group is responsible solely for all expenses associated with a charter that is withdrawn, denied, or revoked after preliminary approval was granted. For further discussion, see the Organization Costs discussion in the "[Corporate Organization](#)" booklet.

Capital Adequacy

An organizing group must raise a sufficient amount of capital to pay all organization costs, compete effectively in the market area, and support planned operations adequately. The OCC may determine that higher or lower amounts of capital from those proposed originally are based on local market conditions or the operating plan presented by the organizing group. The OCC expects projected capital for new banks to remain at or above the "well capitalized" level as defined in 12 CFR 6.4(b)(1) for the first three years of operations.

An uninsured national bank, such as a trust bank, is not subject to the requirements of 12 CFR 6. However, the organizing group should present thorough arguments to support its proposed capital. In some cases, the OCC may require an uninsured national bank, as a condition of approval, to maintain a specified minimum level of capital.

The OCC generally is opposed to debt-based capitalization of a new bank. If any debt will be issued by a sponsor or affiliate to capitalize the bank, the

organizing group must demonstrate that debt service requirements can be met without reliance on cash flows of *any kind* from the bank.

The OCC has no general prohibition against the inclusion of preferred stock in the initial capital structure of a new national bank. However, the OCC may determine that the inclusion of a significant amount of preferred stock in a bank's capital structure could lead to instability in the ownership of the bank or otherwise adversely affect the safety and soundness of the institution. Such a determination would justify disapproval of the charter application or revocation of a preliminary approval already issued.

The organizing group should disclose any options, warrants, and/or other benefits associated with the proposed capital. Such disclosure should be made regardless of whether it is at the bank or holding company level (see the Stock Benefit Plans discussion in the "[Corporate Organization](#)" booklet).

Investment in Bank Premises

There are statutory limits on investments in bank premises, provided in 12 USC 371d. Unless previously approved by the OCC, proceeds from the sale of stock must be held in escrow and may not be used to finance the construction/acquisition of bank premises. Construction of the bank facility must comply with the minimum security standards in 12 USC 1882 and 12 CFR 21 (see the "[Investment in Bank Premises](#)" booklet).

Filings with Other Regulators

When substantially similar state and national charter applications are filed by the same organizing group or persons representing the same interest, the OCC generally will consider the national bank application abandoned, unless the state bank application is not being processed in due course.

Bankers' Banks

A group organizing a bankers' bank may request the OCC to waive compliance with certain statutes or regulations. Requests for such waivers should accompany the application and must be supported by adequate justification and legal analysis. The OCC will review each waiver request by a national bankers' bank and decide whether it is justified. However, the OCC cannot waive statutory requirements that apply specifically to a bankers' bank.

National banks investing in a bankers' bank may own no more than 5 percent of any class of its voting securities. In addition, a national bank's total investment in the stock of one or more bankers' banks is limited to 10 percent of its unimpaired capital and surplus.

Stock in a bankers' bank may be sold only to depository institutions or their holding companies. The CRA does not apply to bankers' banks.

Special Purpose Charters

A national bank is authorized by its charter to exercise all express or implied powers of national banks. An applicant that will limit its activities to fiduciary activities, credit card operations, or another special purpose (e.g., a community development focus or cash management activities) must adhere to established charter procedures with appropriate modifications.

Special purpose bank charters do not qualify for expedited review, since they offer a limited range of banking services. If requested, the OCC may authorize a modified streamlined submission for an existing BHC or a group experienced in banking. The limited activities of each special purpose bank charter will be indicated in its Articles of Association (see the Articles of Association in the "[Corporate Organization](#)" booklet).

Trust Banks

The OCC may grant approval for a national bank to exercise fiduciary powers pursuant to its authority in 12 USC 92a and the licensing requirements in 12 CFR 5.20 and 5.26. An organizing group or sponsor may seek to charter a national bank that exclusively offers fiduciary services. Full or limited fiduciary powers may be requested (see the "[Fiduciary Activities](#)" booklet). National banks that limit their services solely to fiduciary services are referred to sometimes as national trust banks or national trust companies.

A national trust bank is exempt from the definition of "bank" in the BHCA (12 USC 1841(c)), provided it meets certain conditions. The consequence of qualifying for this exemption is that any type of company, not only those whose activities are limited to activities permissible for a bank holding company, may own a trust bank. The conditions of the exemption are:

- All or substantially all of the trust bank deposits are in trust funds and are received in a *bona fide* fiduciary capacity.
- No trust bank deposits insured by the FDIC are offered or marketed by or through its affiliate.
- The bank does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties, or make commercial loans.
- The trust bank may not obtain payment or payment-related services from any FRB.

- The trust bank may not exercise FRB discount or borrowing privileges.

The OCC requires that such a trust bank's Articles of Association limit the bank to the exercise of fiduciary powers and the support of incidental activities (see the Articles of Association in the "[Corporate Organization](#)" booklet).

A new trust bank typically has high fixed expenses, including personnel costs and vendor contracts. The OCC will review projected revenues to determine whether the sources of fee income are reasonable given the competitive environment. An operating plan that includes growth through acquisition should discuss the effect of intangible assets on capital and liquidity.

Capital in a trust bank serves primarily to absorb operating rather than business losses. National trust banks are required by statute (see 12 USC 92a) to have minimum capital equal to that required by state law for companies offering similar services in the state in which the bank will be located. At a minimum, initial capital should be sufficient to support the bank's operations and absorb all operating losses, until profitability is achieved, while maintaining capital at an appropriate level to support safe and sound operations. Most of a trust bank's assets are off-balance sheet. Risk-based capital guidelines apply to the balance sheet assets of a trust bank, but not to fiduciary assets that are off-balance sheet. Thus, the OCC may impose a minimum capital requirement for uninsured trust banks as a condition of its approval (see the [Capital Adequacy](#) discussion in this booklet).

In addition, a trust bank's management team should include someone who has financial management experience sufficient to prepare financial and regulatory reports for the bank.

No action that would alter materially the parent company's or a successor owner's ownership interest in the bank may be taken without prior OCC approval. An exception occurs when a change in ownership is subject to the prior approval of another federal depository regulatory agency. If the OCC considers a change in ownership, it will apply the definitions and standards in the Change in Bank Control Act and the OCC's implementing regulation (12 USC 1817(j) and 12 CFR 5.50) to determine whether a change in the parent company's or a successor's ownership interest is material and whether to approve a proposed change.

Certain prospective trust bank sponsors (e.g., securities or investment banking companies engaged in underwriting or dealing in securities) are not precluded by the BHCA from owning an uninsured national trust bank. However, they may encounter legal difficulty chartering a national trust bank, because of Glass Steagall Act requirements (see 12 USC 78 and 377). The

OCC encourages those sponsors to initiate early discussions with OCC and FRB legal staff to discuss compliance.

The CRA does not apply to uninsured trust banks.

Credit Card Banks

National credit card banks take two basic forms. First, a BHC or an organizing group may own directly a bank that engages exclusively or predominantly in credit card activities. This bank may legally offer additional commercial banking services (e.g., deposit accounts for its employees), unless prohibited by its [Articles of Association](#). Even then, that bank may expand its activities after following the "[Expansion or Contraction of Activities](#)" requirements discussed later in this booklet.

The second form of a national credit card bank, the so-called "CEBA credit card bank," is owned by a nonbank holding company or a bank. This type of bank must qualify for the credit card bank exemption created by the Competitive Equality Banking Act of 1987 (CEBA) amendment to the BHCA (12 USC 1841(c)(2)(F)). If a proposal meets all of the following requirements, the credit card bank is excluded from the "bank" definition in the BHCA, and its parent is not considered a BHC, subject to the activities limitations generally applicable to BHCs under the BHCA. The bank:

- Must engage only in credit card operations.
- Cannot accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties.
- May not accept any savings or time deposits of less than \$100,000, except if they are used as collateral for secured credit card loans.
- May maintain only one office that accepts deposits.
- May not engage in the business of making commercial loans.

Those limitations must appear in the bank's Articles of Association (see the Articles of Association in the "[Corporate Organization](#)" booklet).

Many credit card bank proposals raise affiliate transactions issues under sections 23A and 23B of the Federal Reserve Act (12 USC 371c and 371c-1, respectively). The most common issues relate to:

- Initial capitalization of a newly chartered credit card bank.
- Transfers of assets between the credit card bank and its affiliates.

- The possibility that, for a proprietary credit card bank, credit extended to its cardholders may be treated as a loan to an affiliate, if credit cards are used by customers to purchase goods and services from bank affiliates.

Each applicant should evaluate thoroughly and discuss potential issues with appropriate OCC staff before filing. Because those issues are sometimes complex, an applicant also may wish to consult its regulatory counsel.

A credit card bank generally must maintain its status as an "insured depository institution" within the meaning of 12 USC 1813(c)(2) and apply for membership in the Federal Reserve System. In the event the FDIC initiates or takes any action to terminate the bank's status as an "insured depository institution," the bank must request and obtain the OCC's prior approval before continuing operation as a non-FDIC insured national bank. In determining whether the OCC should approve the bank's continued operation as an uninsured institution, the OCC reserves the right to impose additional conditions upon the bank.

A credit card bank also must comply with the CRA. However, it may seek designation as a limited purpose bank (see the [Assessment Area](#) discussion under the "[Application Filing and Processing](#)" heading in this booklet).

Special Focus

Community Development Focus

One option available for prospective bank organizers is to charter a national bank with a community development focus (CD bank). A CD bank targets financial services to the revitalization of communities through partnerships with public, nonprofit, and other private initiatives. Such banks must meet the same statutory, regulatory, and procedural requirements as other commercial national banks. There are two unique features of a CD bank. First, the OCC provides technical assistance through a team of licensing, legal, and community development staff to the organizers of these banks prior to the charter prefiling meeting. This assistance includes meeting with the organizers and reviewing draft documents. Secondly, other national banks may invest in the CD bank, if it satisfies applicable requirements of the OCC's regulations (12 CFR 24).

Organizers seek CD bank designation to gain broader access to capital from:

- An investment from one or more national banks not to exceed 5 percent of each bank's capital and surplus, subject to limitations in 12 USC 24(11) and 12 CFR 24.
- Investment from other depository institutions.

- Investments or gifts from certain charitable organizations.
- An award from the Community Development Financial Institution Fund.

A CD bank should be able to demonstrate community support or participation in one or more ways that include:

- Representation on the board of directors by nonbank community representatives with expertise relevant to the proposed bank.
- Establishment of an advisory board for the bank's community development activities that includes nonbank community representatives with expertise relevant to the proposed bank.
- Formation of a formal business relationship with a community-based organization in connection with the proposed bank.
- Contractual agreements with community partners to provide services for the proposed bank.
- Financing for the proposed bank from the public sector or community development organizations.

The CRA applies fully to CD banks.

When the OCC grants preliminary approval to a charter with a community development focus, other national banks may invest capital in it. However, any one bank proposing to invest in a CD bank must limit its investment to avoid being considered a bank holding company under the Bank Holding Company Act. In addition to having an ownership stake in this institution, banks may serve as advisors; lend senior and executive staff; contribute facilities, equipment, and expertise; and sit as directors, along with community leaders, on their governing boards. These investor banks may receive positive consideration under CRA for their investments.

The OCC's Licensing staff works closely with the OCC's Community Development Division (CDD) staff on each CD bank application. CDD staff normally participates in the field investigation and all other pre- and post-decision activities. Requests by established banks to make an investment in a CD bank are directed to and processed by CDD (see the OCC District and Washington Office Listing in the Appendixes of the [GPP](#) booklet).

Cash Management Banks

A cash management national bank normally is affiliated through a BHC structure with other banks that engage in a full array of commercial activities. The BHC uses a cash management bank to provide certain financial services for its large corporate customers. In the cash management bank, all accounts are swept at the end of each day as each customer usually must clear its accounts daily to zero. Fees for services typically are charged to each customer based on the number of services used and the number of items processed.

Although banks may be chartered *de novo* as cash management banks, most are created by stripping down the operations of an existing bank to a cash management bank functions following a purchase and assumption transaction. In those cases, a bank must follow the Conversion from Full to Limited Service Charter guidelines in the "[Corporate Organization](#)" booklet.

A key consideration when a bank alters its operation in this manner is the appropriate level of capital. In some cases, the BHC may wish to reallocate its capital and reduce capital in the cash management bank (see the "[Capital and Dividends](#)" booklet). If the cash management bank is affiliated with an existing BHC whose lead depository institution is an eligible bank, the OCC will allow capital to be maintained at the "well-capitalized" level as defined in 12 CFR 6.4(b)(1).

The CRA does not apply to this special purpose bank, which is engaged only in providing cash management, controlled disbursement services to the public.

Expansion or Contraction of Activities

A bank that wishes to expand or contract its primary business may need to revise its [Articles of Association](#) and submit other materials to the OCC for review prior to implementing the proposed change. (See the Conversion from Limited to Full Service Charter and Conversion from Full to Limited Service Charter discussions in the "[Corporate Organization](#)" booklet.)

Application Instructions

The format of these instructions corresponds with the placement of information in the Charter Application sample form. For general filing requirements, see the "[General Policies and Procedures](#)" booklet.

National Bank Identifying Information

The name of the bank must include the word "national" or "national association."

If the exact location is unknown, a "vicinity of" location must be provided. The specificity of identification of location will be determined based on the size of the community; for instance, if the new charter will be located in a heavily populated area, the location should be specific to within 1000 feet. If the desired location is rural, identification of an area within a one-mile radius could be acceptable, if no public confusion would result. If the mailing and street addresses differ, both should be provided.

Lead Depository Institution Identifying Information

The applicant must provide the requested identifying information for the lead depository institution for an application that qualifies for expedited review. If one or more institutions are approximately the same size and compete for the "lead depository institution" designation, the applicant must furnish additional information to support identification of the selected institution as the lead depository institution. Such information should include:

- Full legal names, locations (city and state of each main office), and OCC charter or FDIC certificate numbers for the competing institutions.
- Total assets for each competing institution as reported in the most recent reports of condition (or comparable thrift reports) and the date of that report.
- Total assets for each competing institution as reported in the reports of condition (or comparable thrift reports) as of the date one year earlier than the most recent report.

Type of Proposed Bank and Submission

An application must meet one of the following criteria to qualify for streamlined submission:

- It must qualify for expedited review.
- The sponsor or the organizing group previously must have requested and been approved for a streamlined submission by the licensing manager in the appropriate district office.

Sponsor Information

The applicant must check the appropriate sponsor's box in the Charter Application and provide the sponsor's name and address, if applicable.

Spokesperson Information

An appropriate spokesperson's name must be provided. If the proposed bank is not sponsored by an existing holding company, persons currently affiliated with other depository institutions, or those who collectively are experienced in banking and have demonstrated the ability to work together, the spokesperson must be a member of the organizing group and a proposed director.

CEO Identification

The OCC strongly encourages each organizing group to disclose its proposed CEO at the time the charter application is filed, but will honor all requests for confidential treatment until preliminary approval is granted. If the CEO's identity is disclosed, the organizing group also must submit its investigation documentation of the CEO (see the Management Review Guidelines in the "[Background Investigations](#)" booklet.)

If the organizing group elects not to disclose the proposed CEO's name at the time the charter application is filed, the group must provide a detailed description of the person's background, experience, and qualifications that are sufficiently specific to permit matching the application information with the person once his/her identity is revealed (see the General Information and Instructions to the Interagency Biographical and Financial Report in the "[Background Investigations](#)" booklet).

Biographical and Financial Reports

The OCC normally requires submission of biographical information for all proposed insiders. Unless approval has been granted for a streamlined submission, the OCC also normally requires insiders to complete the Financial Report. In addition, the OCC may waive the submission of financial information for proposed insiders if the financial strength behind the new bank will derive from the sponsor. (See the Interagency Biographical and Financial Report in the "[Background Investigations](#)" booklet).

Sponsors must submit a corporate background report (see the Corporate Background and Financial Report in the "[Background Investigations](#)" booklet) and the following or similar financial information:

- Federal Reserve Y-6 filings for the last three years.
- SEC 10K filings for the last three years.
- Annual report for the most recent fiscal period.

[For bankers' bank only]

- Each participating bank must complete a corporate background report (see the Corporate Background and Financial Report in the "[Background Investigations](#)" booklet) and submit the following financial data:
 -) Call reports for the last three years as of June 30 and December 31.
 -) Reports of income and expense for the last three years as of June 30 and December 31.
 -) Annual report for the most recent fiscal period.
- Each depository institution holding company must complete the background report and submit the financial information required for sponsors.

Management Interlock, Environment, and Historic Property

The organizing group must respond to each question about those issues in the Charter Application and provide additional information, if necessary.

Contracts

The OCC requires a copy or discussion (if oral) of each contract to be submitted with the charter application. In addition, if the contract involves an insider, the OCC requires the submission of at least one independent appraisal of the contract (see Contracts discussion in the Introduction section of this booklet).

Public Notice

The following language may be used to meet the publication requirements. If the bank will be insured, include the information that appears in brackets [] to satisfy OCC and FDIC publication requirements. An applicant that proposes to be an uninsured national bank (e.g., an uninsured national trust bank) does not need to include the bracketed FDIC language.

An Application to Organize a National Bank
Has Been Filed on the Date of this Publication
with the Comptroller of the Currency
[and
the Federal Deposit Insurance Corporation]

We, the undersigned, intending to organize and operate a[n insured] national bank according to the provisions of the National Bank Act [and the Federal Deposit Insurance Act], as amended, submit an application to the Comptroller of the Currency [and the Federal Deposit Insurance Corporation] for permission to organize a[n insured] national bank, and propose as follows:

1. That the main office of the national bank be located at (exact location as it appears in the application), in the (city or town) of (county, state).
2. That the national bank will have the following title:

_____.
3. That the total capitalization to be received by the national bank for the shares issued by it will be allocated as follows:

Capital	\$(amount)
Surplus	\$(amount)
Total capitalization.	\$(amount)
Number of shares to be authorized . .	(amount)
Number of shares to be issued	(amount)
Par value per share	\$(amount)
Sale price per share	\$(amount)

4. That (spokesperson's name) of (street address), (city or town), (state), (ZIP code), will act as sole and exclusive correspondent to represent and appear for the undersigned before the Comptroller of the Currency [and the Federal Deposit Insurance Corporation], and to receive all correspondence and documents for this application. In witness whereof, the undersigned have signed this document on the date set forth above.

(List each organizer's name and city of residence as it appears on the application. The name and headquarters city location of the sponsor/holding company also should be included, if applicable. In the case of a bankers' bank, identify the investing/participating banks and their headquarters city locations.)

Any person desiring to comment on this application may do so by submitting written comments within 30 days of the date of publication of this notice to the licensing manager, (address of appropriate district office) or (the appropriate Internet address). The public file is available for inspection during regular business hours.

[Any person wishing to comment on this application may file comments in writing with the regional director of the Federal Deposit Insurance Corporation at its regional office (address of the regional office) before processing of the application has been completed. Processing will be completed no earlier than the 15th day following the required publication or the date of receipt of the application by the FDIC, whichever is later. The period may be extended by the regional director for good cause. The non-confidential portion of the application file is available for inspection within one day following the request for such file. It may be inspected in the corporation's regional office during regular business hours. Photo copies of information in the non-confidential portion of the application will be made available upon request. A schedule of charges for such copies can be obtained from the regional office.]

Other Requests

The organizing group for a national trust bank does not need to request separate approval for fiduciary powers. Other requests, if any, should be submitted with this application. They should be fully responsive to the requirements discussed in other portions of this manual.

Filing Fee

The appropriate filing fee, payable by check or other means to the Comptroller of the Currency, should accompany the application.

Certification

Each proposed organizer must sign and date the application.

Organizers for a bankers' bank may request an exemption from the "natural person" requirement. If an exemption is granted, the application must be signed by an authorized representative, which is evidenced by a corporate resolution, from each of the participating depository institutions or depository institution holding companies.

Attachments

The applicant should check boxes, as appropriate, in the Charter Application.

Operating Plan

The organizing group must submit an operating plan that includes the information in each section that follows. The OCC has not provided any samples, except for market share and financial forms. The organizing group may find the sample forms useful, but may choose to submit all of its operating plan in another format, provided that it is unbound on standard letter-sized paper (i.e., 8 ½ by 11 inches) or in an acceptable electronic format designed to be so printed.

An organizing group for a proposed bank with a special purpose or focus should complete appropriate sections of the operating plan, considering that special purpose or focus.

The OCC will identify specific information that may be omitted, if it approves an organizing group's prior request to make a streamlined submission. Normally, the OCC permits charter applications filed under a streamlined submission to omit the information listed under the [Leadership and Management, Market Analysis, and Plans and Objectives—Part A sections](#).

Group Composition and Association

- The name and address of each proposed insider, including the CEO (if the CEO's name is being disclosed), and other identified executive officers.
- The number and percentage of shares each proposed insider is expected to purchase.
- A brief discussion of how the organizing group came together and the factors that led to filing the national bank charter application.

- [For bankers' banks] A brief discussion of whether existing entities perform the same or similar services.

Business Description

- An outlined map that specifically identifies each market area. Collectively, the maps should delineate areas from which the organizing group expects the proposed bank to draw approximately 75 percent of its business.
- Identification of special or unusual customer groups found in the market area, such as military personnel and their families.
- Discussion of services (e.g., depository, credit, fiduciary, and bank operations) to be offered, including any differences in the types of services for different market areas.

Community Service

(This section does not apply to certain special purpose banks, such as uninsured trust banks, cash management banks, and bankers' banks. If a wholesale or limited purpose bank will offer only a narrow product line, such as credit card or motor vehicle loans, to a regional or broader market, this discussion should be focused as appropriate for that limited type of operation.)

- A summary of the evaluation of each proposed assessment area's banking needs, including its consumer, business, nonprofit, civic, and government sectors.
- A description of the services and products to be offered that respond to the identified banking needs and are consistent with safe and sound operation.
- A statement that demonstrates the organizing group's plans to achieve CRA objectives.
- A plan for attracting and maintaining community support for the long-term success of the proposed bank.

Leadership and Management

- A description of the proposed organization and responsibilities of the board and executive officers.

- A discussion of the qualifications and experience of the proposed directors, the CEO, and other identified management in providing the proposed services or serving the proposed market areas.
- Identification of the qualities desired in the remaining prospective executive officers.
- In addition to those contracts previously disclosed, a description of any remaining contract that the organizers propose to negotiate for banking or other services and the name of the possible provider(s) for each service.

Market Analysis (Analysis should be based on the most current data available and sources of information should be referenced.)

- Economic Component
 -) A description of the proposed market(s) in terms of economic characteristics, (e.g., size, income, and industry and housing patterns).
 -) An analysis of anticipated changes in the market, the factors influencing those changes, and the effect they will have on the proposed bank.
 -) A discussion of the economic factors that influence the services to be offered. A more in-depth discussion is warranted where different types of services are identified for different market areas in the Business Description section.
- Competitive Component
 -) A list of any and all potential competitors inside and outside the proposed market area(s).
 -) A discussion of the marketing strategy for the proposed bank that compares and contrasts that strategy with the organizing group's perception of those of its competitors. Include expected results in terms of relative strength, market share (see Market Share Projections), and pricing.

Plans and Objectives—Part A

- Planning Assumptions
 -) A discussion of major planning assumptions for the market analysis that were used in developing the plans and objectives

for the proposed bank. At a minimum, address: market growth, interest rates, cost of funds, and competition.

-) (If applicable) A discussion of planning assumptions variations for different markets that compares and contrasts the assumptions.
-) A discussion of the advantages and disadvantages of the proposed asset/liability mix, including a net interest margin analysis and any actions that will be taken to reduce major risks through appropriate funds management techniques and systems.
- Financial Projections (Average balances, rather than year-end estimates, should be used. Average balances may be computed by projecting monthly or quarterly account balances and averaging for the appropriate number of periods used.)
 -) A Projected Balance Sheet, Projected Income and Expense Statement, and a capital schedule that shows capital components in no less detail than those reflected in the sample formats. (For assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income.)
 -) [For trust banks and banks that will operate trust departments]
 - a) Projected Fiduciary Income and Expense Statement that shows expected income and expense in no less detail than that reflected in the sample format.
 - b) A representation that the bank shall not make any major acquisition(s) of trust assets or trust services from another bank or institution during its first three years of operation without the prior written approval of supervision staff in the appropriate district office.
 - c) A representation that the bank will consult with appropriate OCC staff prior to expanding its trust operations into another state if novel or problematic legal issues are present.
- Internal and External Audits

A discussion of the organizing group's plans for providing the new bank with independent internal and external audit services.

- Security and Confidentiality [For bankers' banks only]

A copy of the organizers' plans for maintaining security and confidentiality of any sensitive information that may be obtained during investigative examinations of potential and current member banks.

Plans and Objectives—Part B (Required for all applications)

- A representation from the applicant about year 2000 compliance similar to the following:

The organizers of (name of proposed bank) represent that the bank's internal systems will be year 2000 compliant in accordance with OCC guidance. In addition, the (name of the proposed bank) will perform due diligence to ensure that any third-party data processing servicers or purchased applications or systems from software vendors also will be year 2000 compliant. In the event that the (name of the proposed bank) selects a servicer or vendor that is not year 2000 compliant, it will ensure that the servicer or vendor has a year 2000 compliance plan and both the financial and personnel capacity to complete its year 2000 conversion project within the time frames outlined in year 2000 guidance from the OCC.

- A year 2000 action plan that is in compliance with the OCC's year 2000 guidelines.
- (If applicable) A discussion of plans to grow through merger and acquisition activity, including, at a minimum, the effect on staffing, physical space needs, management reporting, operating systems compatibility (e.g., year 2000 compliance), and capital.
- [For streamlined submissions only] A Projected Balance Sheet for the bank and the consolidated entity that shows risk-based capital information in no less detail than those reflected in the Consolidated Reports of Condition and Income.

Capitalization

- The formula or basis used to arrive at the proposed capital structure.
- A discussion of the adequacy of the proposed capital structure relative to market factors, planning and financial assumptions, and projected organization and operating expenses. Trust banks specifically should address factors unique to the types of risks characteristic of those limited purpose banks and explain how the proposed capital structure meets risk concerns.

- A discussion of the plan for raising capital initially and for financing growth during the first five years, with particular emphasis on conformance with OCC capital adequacy guidelines. This discussion also should include plans to raise additional capital after the bank is open, should the earnings projections in the original application prove incorrect. If this application is for an uninsured charter, discuss capital adequacy in another appropriate manner without regard to regulatory requirements.
- The number of shares to be authorized, the number of shares to be issued, par value per share, and sale price per share.
- Debt service requirements for any debt that will be issued at the holding company level to capitalize the bank.
- Any plan to issue preferred stock. The OCC must approve the provision to be included in the Articles of Association and the terms of the preferred stock issuance.
- Any plan to use options, warrants, and/or other benefits associated with the proposed capital.

Other Requirements

- [For a new holding company] If an organizing group forming a BHC simultaneously with this application, a discussion of proposed holding company activities.
- [For certain trust banks only] If existing trust operations will be merged into a new trust bank or form the basis for the new trust bank's operations, copies of Trust Call Reports for the latest three years.
- [For bankers' banks only] Request(s) for a waiver of any legal requirements supported by legal analysis and adequate justification.

Charter Application

For OCC Use Only

CAIS Control No. _____
Charter No. _____
Date Received _____
Date Receipt _____
Acknowledged _____

National Bank Identifying Information

Name of Bank _____
(proposed exact corporate title)

Proposed Location _____
(street address of main office, city, county, state, ZIP Code)

Mailing Address _____
(mailing address of main office, city, county, state, ZIP Code)

Type of Proposed Bank and Submission (Check the appropriate boxes.)

Type of Proposed Bank	Type of Review
<input type="checkbox"/> Commercial Bank	<input type="checkbox"/> Standard
<input type="checkbox"/> Credit Card Bank	<input type="checkbox"/> Expedited
<input type="checkbox"/> CEBA	
<input type="checkbox"/> Non-CEBA	Type of Submission
<input type="checkbox"/> Trust Bank	<input type="checkbox"/> Standard
<input type="checkbox"/> Bankers' Bank	<input type="checkbox"/> Streamlined
<input type="checkbox"/> Special Focus	
<input type="checkbox"/> Community Development	
<input type="checkbox"/> Cash Management	
<input type="checkbox"/> Other, describe:	

Lead Depository Institution Identifying Information

Name of Institution _____
(proposed exact corporate title)

Proposed Location _____
(street address of main office, city, county, state, ZIP Code)

OCC Charter or FDIC Certificate Number _____

Additional information is attached. Yes ☐ No ☐

Sponsor Information (Check the appropriate box or boxes.)

- ☐ No sponsor
- ☐ Persons currently affiliated with other depository institutions
- ☐ Persons who collectively are experienced in banking and have demonstrated the ability to work together
- ☐ Bank holding company
- ☐ Existing holding company
 - ☐ Non-bank parent
 - ☐ Other, describe: _____

(If applicable)

Sponsor's Name _____

Sponsor's Location _____

(street address of main office, city, county, state, ZIP Code)

Spokesperson Information

Name _____

Address _____

City _____ State _____ ZIP Code _____

Phone No. () _____ Fax No. () _____

Is the spokesperson an organizer and proposed director of the proposed bank? Yes ☐ No ☐

If no, is the proposed bank sponsored by an existing holding company, persons currently affiliated with other depository institutions, or persons who are collectively experienced in banking and have demonstrated the ability to work together? Yes ☐ No ☐

CEO Identification

1. The proposed CEO participated in the development of the proposed operating plan. Yes ☐ No ☐

2. Has the organizing group elected to disclose the name of its CEO? Yes ☐ No ☐

If yes:

The proposed CEO's name is _____.

The proposed CEO's Interagency Biographical and Financial Report is attached.

Yes ☐ No ☐

If no, those reports will be provided during the organization phase.

Yes ☐ No ☐

Documentation of the organizing group's investigation of the CEO is attached.

Yes ☐ No ☐

The organizing group requests that the OCC keep the CEO's identity confidential, until preliminary approval is granted.

Yes ☐ No ☐

If yes, the organizing group has a person committed to being the CEO for the proposed new bank.

Yes ☐ No ☐

The organizing group is providing a detailed description of the person's background, experience, and qualifications that are sufficiently specific to permit matching the application information with the person once his or her identity is revealed.

Yes ☐ No ☐

The organizing group will disclose the proposed CEO's name and provide the excluded biographical and financial data once preliminary approval is granted.

Yes ☐ No ☐

Biographical and Financial Reports

1. Are biographical reports, including foreign certifications (if applicable), attached for all proposed organizers, directors, principal shareholders, and identified executive officers (other than the CEO)? Yes ☐ No ☐

If no, does this application qualify for or has it been approved to make a streamlined submission? Yes ☐ No ☐

If no, was submission previously waived by the OCC? Yes ☐ No ☐

If no, explain why biographical reports are not attached.

2. [For sponsors and bankers' bank proposals only] Is a corporate information report attached for the sponsor or the participating depository institution or depository institution holding company for a bankers' bank proposal? Yes ☐ No ☐

If no, was submission previously waived by the OCC?

Yes ☐ No ☐

If no, explain why a biographical report is not attached.

3. Are financial reports attached for all proposed organizers, directors, principal shareholders, and identified executive officers (other than the CEO)? Yes ☐ No ☐

If no, does this application qualify for or has it been approved to make a streamlined submission? Yes ☐ No ☐

If no, was submission previously waived by the OCC? Yes ☐ No ☐

If no, explain why financial reports are not attached.

4. Is a financial report attached for the sponsor or participating depository institution or depository institution holding company for a bankers' bank proposal? Yes ☐ No ☐

If no, was submission previously waived by the OCC? Yes ☐ No ☐

If no, explain why a financial report is not attached.

Management Interlock, Environment, and Historic Property

1. Will the establishment of the proposed bank result in or raise an issue that could result in creating a prohibited interlock? Yes ☐ No ☐

If yes, explain the circumstances that result in any potential conflict of interest or management interlock and specify what action will be taken to prevent a violation of law.

2. Will the proposed action have any significant effect on the quality of the human environment, (e.g., air and/or water quality, noise levels, energy consumption, congestion of population, solid waste disposal, or environmental integrity of private land) within the meaning of the National Environmental Policy Act (NEPA), 42 USC 4321, et. seq.? Yes ☐ No ☐

If yes, discuss plans to comply with NEPA's requirements.

3. Does the establishment of the proposed bank's main office and/or any branch sites affect any district, site, building, or structure listed in, or eligible for listing in, the *National Register of Historic Places* (National Register) pursuant to the National Historic Preservation Act (NHPA), 16 USC 470? Yes ☐ No ☐

Specify how such determination was made (e.g., National Register, Historic Preservation Officer, or other).

If yes, has the organizing group contacted the State Historic Preservation Office (SHPO)? Yes ☐ No ☐

If yes, has the SHPO communicated his or her determination of the effects of the proposal? Yes ☐ No ☐

If yes, please provide a copy.

If no, discuss why contact has not been initiated.

Contracts

Do any contracts exist that in any way concern the proposed charter application? Yes ☐ No ☐

If yes:

- ☐ Attach a copy or a discussion of the contract, if oral.
- ☐ If an insider is involved, attach a copy of the independent appraisal.

Public Notice

Public notice of this application is being published on (publication date)
in (name and address of newspaper(s) used) .

Requests for additional information or other communications about this proposal should be directed to:

<u> (name) </u>	<u> (title) </u>
<u> (mailing address) </u>	<u> (telephone number) </u>

Other Requests (if applicable)

Is this application accompanied by any other corporate requests (e.g., fiduciary powers, director waiver, management interlock exception, branch, operating subsidiary, or wholesale or limited purpose designation pursuant to 12 CFR 25.25(b))? Yes ☐ No ☐

If yes, attach a list of all applications that accompany this filing.

Filing Fee

A filing fee of \$(amount) is attached.

Desired Action Date

We desire OCC action on this application no later than (date).

Certification

The organizers certify that any misrepresentations or omissions of material facts with respect to this application, any attachments to it, and any other documents or information provided in connection with the application for and organization of the proposed national bank may be grounds for denial or revocation of the national bank charter, or grounds for an objection to the undersigned as proposed director(s) or officer(s) of the proposed national bank, and may subject the undersigned to other legal sanctions, including the criminal sanctions provided for in 18 USC 1001 and 1014.

Signature	Typed Name	Date
_____	_____	_____
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Attachments (Check all that apply)

- ☐ Lead depository institution supporting information
- ☐ CEO's Interagency Biographical and Financial Report
- ☐ CEO investigation documentation or description
- ☐ Biographical Reports
- ☐ Foreign Certification(s)
- ☐ Financial Report(s)
- ☐ Copy of contracts
- ☐ Copy of independent appraisals
- ☐ Explanation of certain responses identified by section
- ☐ Filing Fee
- ☐ Other corporate request(s)
- ☐ Other (describe) _____
- ☐ Operating Plan
 - ☐ Group Composition and Association
 - ☐ Business Description
 - ☐ Community Reinvestment Act
 - ☐ Leadership and Management
 - ☐ Market Analysis
 - ☐ Plans and Objectives—Part A
 - ☐ Projected Balance Sheet
 - ☐ Projected Income and Expense Statement
 - ☐ Projected Fiduciary Income and Expense Statement
 - ☐ Plans and Objectives—Part B
 - ☐ Year 2000 Representation
 - ☐ Year 2000 Action Plan
 - ☐ (If applicable) Merger and Acquisition Growth Plans
 - ☐ (If for streamlined submissions only) A Projected Balance Sheet for the Bank and the Consolidated Entity
- ☐ Capitalization
- ☐ Other (describe) _____

Market Share Projections

[illegible]

Projected Balance Sheet (in 000's U.S. dollars)

Assets	Year	1	2	3
Cash and Due from Depository Institutions		_____	_____	_____
Investment Securities		_____	_____	_____
Loan Detail				
Real Estate Loans		_____	_____	_____
Commercial Loans		_____	_____	_____
Installment Loans		_____	_____	_____
Other Loans		_____	_____	_____
Less Allowance for Loan Losses		_____	_____	_____
Net Loans		_____	_____	_____
Fixed Assets (use separate schedule)		_____	_____	_____
Other Assets (use separate schedule)		_____	_____	_____
Total Assets		_____	_____	_____
Liabilities				
Demand Deposits Detail (*)				
Regular Checking		_____	_____	_____
Regular NOW		_____	_____	_____
Super NOW		_____	_____	_____
Corporate and Business Checking		_____	_____	_____
Public Funds: Regular		_____	_____	_____
NOW		_____	_____	_____
Other		_____	_____	_____
Total Demand Deposits		_____	_____	_____
Time and Savings Account Detail (**)				
Regular Passbook		_____	_____	_____
Time Deposit Accounts (detail below)		_____	_____	_____
IRA and Keogh Accounts (detail below)		_____	_____	_____
Brokered Deposits		_____	_____	_____
Public Funds		_____	_____	_____
Other		_____	_____	_____
Total Time Deposits		_____	_____	_____
Total Deposits		_____	_____	_____
Repurchase Agreements (use separate schedule)		_____	_____	_____
Other Liabilities (use separate schedule)		_____	_____	_____
Total Liabilities		_____	_____	_____
Total Capital (from Capital Computation Page)		_____	_____	_____
Total Liabilities and Capital		_____	_____	_____

(*) Must breakdown and distinguish between interest-bearing and noninterest-bearing accounts.

(**) Show by types of accounts offered. List separately by maturity, rate (fixed or variable), characteristics (brokered), etc.

Projected Income and Expense Statement (in 000's U.S. dollars)

	Year	1	2	3
Interest Income				
Interest and Fees on Loans		_____	_____	_____
Interest Earned on Investment Securities		_____	_____	_____
Other Interest Income		_____	_____	_____
Total Interest Income		_____	_____	_____
Interest Expense				
Interest on Deposits		_____	_____	_____
Interest Expense on Borrowings		_____	_____	_____
Total Interest Expense		_____	_____	_____
Net Interest Income		_____	_____	_____
Provision for Loan Losses		_____	_____	_____
Sub Total		_____	_____	_____
Other Income				
Service Charges		_____	_____	_____
Fiduciary Services		_____	_____	_____
Safe Deposit Rent		_____	_____	_____
Other(*)		_____	_____	_____
Total Other Income		_____	_____	_____
Other Expense				
Officers' Salaries and Benefits		_____	_____	_____
Employees' Salaries and Benefits		_____	_____	_____
Bank Premises—Net Occupancy				
Expense (**)		_____	_____	_____
Furniture and Equipment Expense (**)		_____	_____	_____
Other(*)		_____	_____	_____
Total Other Expense		_____	_____	_____
Income Taxes		_____	_____	_____
Net Income (Loss)		_____	_____	_____
Capital				
Beginning Capital Funds		_____	_____	_____
Organization Expenses (If not capitalized)(#)		_____	_____	_____
Net Operating Income (Loss)		_____	_____	_____
Less Dividend and Capital Retirement		_____	_____	_____
Ending Capital Funds		_____	_____	_____

(*) Itemize if over 10 percent of total.

(**) Provide details on fixed assets and corresponding costs/expenses.

(#) Attach separate detailed schedule of all organizational and preopening expenses.

Projected Fiduciary Income and Expense Statement

(in 000's U.S. dollars)

	Year	1	2	3
Operating Income				
Estates and Trusts		_____	_____	_____
Custodial and Agency Accounts		_____	_____	_____
Corporate Trusts (e.g., Indentured Trustee, Transfer Agent)		_____	_____	_____
Employee Benefit Trusts		_____	_____	_____
Other Operating Income		_____	_____	_____
Total Operating Income		_____	_____	_____
Operating Expense				
Officers' Salaries and Benefits		_____	_____	_____
Employees' Salaries and Benefits		_____	_____	_____
Bank Premises—Net Operating Expense		_____	_____	_____
Furniture and Equipment Expense		_____	_____	_____
Other Expenses (use separate schedule)		_____	_____	_____
Total Operating Expense		_____	_____	_____
Sub Total		_____	_____	_____
Income Taxes		_____	_____	_____
Net Operating Income (Loss)		_____	_____	_____
Beginning Capital Funds		_____	_____	_____
Less Organizational Expense (if not capitalized)		_____	_____	_____
Add/Subtract Net Operating Income/Loss		_____	_____	_____
Less Dividends and Capital Retirement		_____	_____	_____
Ending Capital Funds		_____	_____	_____
Number of Officers		_____	_____	_____
Number of Employees		_____	_____	_____
Number of Accounts		_____	_____	_____

Application Amendments

Date

Licensing Manager
Comptroller of the Currency
Address
City, State, ZIP Code

Re: Application Description, CAIS Control Number

Dear Mr./Ms. (Name):

We, the undersigned, having submitted to the Comptroller of the Currency a charter application dated (date), affirm the same, subject to the following modification(s):

[Include appropriate sections only]

- Insiders
 -) Identify any person added to or deleted from the originally identified group of insiders.
 -) Forward appropriate biographical and financial reports for any person added.
- Appointment of Spokesperson

We, the undersigned:

-) Revoke the appointment of spokesperson, dated (date) that designated (name) as the spokesperson in connection with the charter application.
-) Designate (name), who lives at (number and street) in (city, state and ZIP code), as our new spokesperson. (Name) may be contacted during normal business hours by telephone at (phone number).
-) Authorized (new spokesperson's name) to represent us before the OCC, to receive all correspondence and documents from the OCC, to keep the organizers informed of all communication with the OCC, and, except when the OCC requires personal action by the organizers, to do what is necessary to apply for and organize a national bank.

- Application

Any modification(s) to the charter application, including operating plan or any other attachments. For each modification, provide a short explanation.

The UNDERSIGNED, together and individually, certify to the Comptroller of the Currency that, subject to the above changes amending the application, the information contained in the original charter application filed on *(date)* is accurate and complete.

[Signatures of all current organizers of the charter application]

[illegible]

Organizers

1. Request information about the chartering process from the Licensing staff in the appropriate district office.

Licensing Staff

2. Forwards information about the chartering process to the organizers.

Organizers

3. Review information about the chartering process.
4. Request that a prefiling meeting be scheduled.

Licensing Staff

5. Schedules prefiling meeting with proposed insiders, including the chief executive officer (CEO) (collectively, the organizing group), if possible.
6. Invites FDIC staff to participate in the prefiling meeting.
7. Discusses the following subjects, as appropriate, with the organizing group:
 - The OCC's role and, as applicable, that of the FDIC and the Federal Reserve.
 - The key policies and specific requirements affecting the chartering process.
 - The importance of year 2000 preparedness.
 - Provides copies of the OCC's current year 2000 guidelines, including [AL 97-6](#), [AL 97-10](#), [AL 98-1](#), [AL 98-3](#), and any subsequent issuances.
 - Advises the organizing group that it must prepare a year 2000 action plan that complies with OCC guidance, which will be evaluated by the OCC in conjunction with its review of the charter application.

- Whether the application qualifies for expedited versus standard review and streamlined versus standard submission.
 - How to file the charter application and follow the chartering procedures.
 - An overview of the organization phase (see the "[Corporate Organization](#)" booklet).
 - Common problems associated with new banks, including:
 - Frequent management changes.
 - Difficulties in hiring qualified personnel.
 - Management/board incompatibility.
 - Impatience for growth/profitability.
 - Abandonment of sound credit standards.
 - Lax policies and procedures.
 - Excessive reliance on brokered deposits and other volatile liabilities.
 - Insider transactions/abuses.
 - Excessive salary/occupancy/overhead expense.
 - Poor asset/liability management.
8. Solicits information about the organizers, both individually and collectively; the proposed bank and its operating plan; and the market the proposed bank will serve.

Organizing Group

9. Provides information about:
- Individual and group qualifications.
 - An overview of the proposal with particular emphasis on any unique aspects.

10. If appropriate, requests filing of a streamlined submission and, if advised, provides written justification.
11. [For bankers' bank] If necessary, provides a written request and justification for waiver of certain legal requirements.

Licensing Staff

12. Answers questions posed by those attending the meeting.
13. Prepares a memo of the meeting and holds it in a pending file.
14. If necessary, takes steps for the appropriate official to make a decision on any request for a streamlined submission and/or waiver.
15. Sends an OCC response on any request for a streamlined submission and/or waiver to the organizing group and retains a copy, with the original request and any documentation, in a pending file.

Prefiling Meeting

Licensing Staff

1. Refers the organizing group to the "[General Policies and Procedures](#)," "Charters," and other applicable booklets of the *Comptroller's Corporate Manual* for guidance about the OCC's policies and procedures to charter a national bank. Conducts a prefiling meeting using the Prefiling Meeting procedures as a guide.
2. If any prefiling discussion or meetings reveal significant policy, legal, CRA compliance, or supervisory issues, contacts Bank Organization and Structure (BOS) to decide:
 - Whether the application should be filed with the Washington office, if broad issues are involved.
 - Whether specific issues should be carved out for Washington action, while the application continues to be processed in the appropriate district office.
 - When the filing should be forwarded to Washington.
3. Holds or decides to waive a prefiling meeting with the organizing group to review the requirements and procedures for organizing a new bank.

Filing the Application and Publication

Organizers

4. Submit a completed application and filing fee to the licensing manager in the appropriate district office or to BOS.
5. Publish a notice on the date of filing or as soon as practicable before or after the date of filing (see the "[Public Involvement](#)" booklet).

Review

Licensing Staff

6. Initiates and enters appropriate information into the Corporate Activities Information System (CAIS).

7. Establishes the official file to maintain all original documents and initiates background checks, as appropriate (see the "[Background Investigations](#)" booklet).
8. Forwards the filing fee and the deposit memorandum (Form 6043-01) to the Comptroller of the Currency, P.O. Box 73150, Chicago, Illinois 60673-7150. Retains a copy of the memorandum. Contacts the applicant if the filing fee is not received or is inaccurate.
9. Reviews the application, relevant information about proposed affiliates and ownership, and biographical and financial information filed by organizers and other proposed insiders to determine if the filing contains all information necessary to reach a decision. If not, requests information from the spokesperson to be provided by a specific due date.
10. On an application submitted by a sponsor, using the Expedited Guide, determines if the sponsor's lead depository institution meets the necessary criteria and is eligible for expedited review of the charter application; and
 - If the lead depository institution is not an eligible bank, prepares and sends a letter to the spokesperson providing notice of standard review within five business days of receipt.
 - (If appropriate) If the lead depository institution is an eligible bank, acknowledges filing within five business days of receipt (see the Acknowledgment of Receipt in the "[General Policies and Procedures](#)" booklet).
11. Within five business days of receipt, notifies the assistant deputy comptroller (ADC) in the supervisory office of receipt of the application and solicits comments from other OCC divisions, as appropriate, with preliminary responses required within 15 days of receipt; and
 - Notifies the appropriate supervisory office (i.e., by E-mail which may include the Executive Summary Comments or Application Comments from CAIS). Provides, at a minimum, a brief summary of the application, operating plan projections, and the main organizers.
 - Contacts BOS if the proposal will affect significantly the quality of the human environment or affect any district, site, building or structure listed in, or eligible for listing in the *National Register of Historic Places* (see the "[General Policies and Procedures](#)" booklet).
 - For bankers' banks, routes request(s) for exemptions or waivers from statutes or regulations to the Law Department.

- Consults with Bank Information Systems (BIS) cadre to determine if the applicant's year 2000 compliance action plan properly identifies critical applications and systems that need to be year 2000 compliant.
12. Within five business days after receipt of the filing, notifies the applicant if appropriate information on year 2000 compliance is not included in the application. Provides the information to the BIS cadre when received.

Field Investigation (Not applicable for an application filed using a streamlined submission. If so, go to step 18.)

13. Decides to conduct a field investigation, particularly if one or more of the following circumstances exist:
- The application is sponsored by an independent group that is neither experienced in banking nor affiliated with an existing BHC.
 - There is insufficient information available to the district office about the organizing group, the chief executive officer, or the accuracy and quality of the research and analysis comprising the operating plan.
 - It is necessary to verify the accuracy and quality of the information contained in the operating plan or to meet with members of the organizing group, its spokesperson, the proposed chief executive officer (if identified at the time the application is filed), or interested members of the public.
14. Requests a field investigation from the appropriate supervisory office and determines its scope.
15. Identifies persons to be interviewed during the field investigation by:
- Reviewing biographical and financial reports submitted with the charter application.
 - Reviewing responses from background investigations.
 - Reviewing OCC files and reports of examination and contacting OCC staff for their observations about persons previously associated with national banks.
 - Evaluating results of organizers' review for each proposed executive officer.

- Contacting all listed references and other regulatory agencies, as appropriate, if any doubt exists about a proposed executive officer's qualifications and/or background.

Licensing Staff/National Bank Examiner (NBE)

16. Forwards the Field Investigation Request to the assigned national bank examiner and the Field Investigation Notification to the spokesperson (see [Procedures\) Field Investigation](#)).

Licensing Staff

17. Using the Expedited Guide, determines whether the charter proposal is still eligible for expedited review, and if:
 - Yes, continues processing.
 - No, contacts the spokesperson immediately and notifies him or her that the charter application is no longer qualified for expedited review and identifies the specific reason.

Public Comments and Hearings

18. If copies of the application are requested, follows the Procedures) Information Request in the "[Public Involvement](#)" booklet.
19. If public comments are filed or hearings requested, refers to the "[Public Involvement](#)" booklet for guidance and hearing procedures.
20. Determines whether the comments are material.

Review and Decision

21. After the close of the public comment period, if the proposed charter application qualified as eligible for expedited review, determines from the Expedited Guide whether the filing should be disqualified, and if:
 - No, continues processing.
 - Yes, contacts the spokesperson immediately and notifies him or her that the proposal is no longer qualified for expedited review and identifies the specific reason.

22. Determines in consultation with the BIS cadre whether the bank's year 2000 due diligence efforts provide the bank with sufficient information to:
 - Assess its vendors' ability to provide year 2000 compliant products and services.
 - Monitor the vendors' year 2000 conversion efforts.
23. Takes one of the following actions:
 - Continues to process the application if year 2000 issues do not constitute a significant supervisory concern.
 - Consults with BOS for guidance if year 2000 issues constitute a significant supervisory concern.
24. Determines whether the bank has plans to offer PC or Internet banking. If yes, consults with BOS.
25. (Not applicable for expedited review) Receives and reviews the Field Investigation Report.
26. Prepares confidential memorandum and decision letter recommending a decision to the delegated official.
27. Decides application under delegated authority or forwards the official file to BOS for decision. If referred to BOS, go to step 28.
28. Notifies spokesperson and interested parties of decision, if appropriate.
29. Sends the spokesperson a decision letter.
30. Makes appropriate CAIS entries.
31. Completes applicable sections of the New Bank Handoff Checklist, forwarding copies of the following documents to the supervisory office: the confidential memorandum, preliminary approval/conditional approval letter (including attachments), updated CAIS comments, and additional material highlighting any supervisory or licensing concerns.

BOS

32. Makes appropriate CAIS entries.

33. Reviews the file and all relevant information; solicits comments from other OCC divisions, as appropriate; makes a recommendation; and forwards the official file to the appropriate official for decision.
34. Notifies the spokesperson, interested parties, and the licensing manager of the decision.
35. Sends the spokesperson a decision letter.
36. If the application is conditionally approved or denied, forwards a copy of the confidential memorandum, decision document, and transmittal letter to the Quality Assurance Coordinator.
37. Makes appropriate CAIS entries.
38. Completes applicable sections of the New Bank Handoff Checklist, forwarding copies of the following documents, at a minimum, to the supervisory office: the confidential memorandum, preliminary approval/conditional approval letter (including attachments), updated CAIS comments, and additional material highlighting any supervisory or licensing concerns.
39. If denied, goes to step 41.
40. For approved and conditionally approved filings, returns the official file to the licensing manager for additional processing.

Organizers

41. Proceed to organize the bank (see the "[Corporate Organization](#)" booklet).

Close Out

BOS

42. For denied applications only, reviews the file for completeness and forwards it to Central Records.
43. Makes appropriate CAIS entries.

33. Reviews the file and all relevant information; solicits comments from other OCC divisions, as appropriate; makes a recommendation; and forwards the official file to the appropriate official for decision.
34. Notifies the spokesperson, interested parties, and the licensing manager of the decision.
35. Sends the spokesperson a decision letter.
36. If the application is conditionally approved or denied, forwards a copy of the confidential memorandum, decision document, and transmittal letter to the Quality Assurance Coordinator.
37. Makes appropriate CAIS entries.
38. Completes applicable sections of the [New Bank Handoff Checklist](#), forwarding copies of the following documents, at a minimum, to the supervisory office: the confidential memorandum, preliminary approval/conditional approval letter (including attachments), updated CAIS comments, and additional material highlighting any supervisory or licensing concerns.
39. If denied, goes to step 41.
40. For approved and conditionally approved filings, returns the official file to the licensing manager for additional processing.

Organizers

41. Proceed to organize the bank (see the "[Corporate Organization](#)" booklet).

Close Out

BOS

42. For denied applications only, reviews the file for completeness and forwards it to Central Records.
43. Makes appropriate CAIS entries.

Assignment and Preplanning

Licensing Staff

1. Requests the appropriate supervisory office to assign a national bank examiner (NBE) for the field investigation.
2. Provides a field investigation request (request) to the NBE along with relevant materials (i.e., charter number, application, biographical and financial information, and any amendments, noting any areas Licensing staff suggests may warrant particular attention).

National Bank Examiner (NBE)

3. Calls the spokesperson to schedule the investigation.
4. Notifies the Licensing staff of the start date and determines the date for submission of the completed letter report.
5. Prior to conducting the investigation:
 - Reviews the charter application and charter file enclosed with the request.
 - Contacts the FDIC to coordinate onsite activities.
 - Schedules interviews with persons identified in the request.
 - Reviews special instructions in the request, if applicable.
 - Calls or visits the spokesperson to determine if the organizing group is prepared and available for the investigation, if applicable.

Onsite Review

6. Interviews the identified persons to determine:
 - Why the person has chosen to be associated with the proposal.
 - The person's proposed role (specifically) in the bank (e.g., how he or she will help the bank, what services he or she will use, what attributes he or she brings to the bank that will be good for the bank).

- The ability and apparent willingness of the CEO to implement the proposed operating plan if he or she was not involved in its development.
 - The person's knowledge of the operating plan, i.e., proposed customers and services, proposed market area, competition, and reasonableness of financial projections (see steps 7 and 8, if necessary).
 - Strengths and weaknesses in the organizing group, proposed directors, principal shareholders, and/or executive officers (see steps 7 and 8, if necessary).
 - Whether any weaknesses or infighting within the group and/or proposed shareholders, directors, and officers might preclude acceptable performance in the proposed position and/or adversely affect the potential success of the operations of the new bank.
7. Elects to ask the interviewed person about any of the following matters as they relate to personal experience and/or the proposed plan for this specific proposed bank:
- Management and business experience:
 - The number of people supervised by the proposed executive officer and/or the level of responsibility held by the insider in his or her business venture(s).
 - Whether the person has had direct hiring and firing authority in previous and/or current positions.
 - Whether the proposed executive officer or insider has ever written position descriptions, performance standards, or operating policies and procedures.
 - The type of management reports being considered and deemed needed.
 - Written policies:
 - Involvement in writing policies.
 - Knowledge of the elements of good lending, investment, funds management, audit, fiduciary, insider activities, board supervision, compliance, and policies in other relevant areas.
 - The ability or commitment to monitor compliance with policies.
 - The extent of the board of directors' responsibility for writing policy.

- Funds management:
 - The definition of liquidity and its purpose.
 - The purpose(s) of an investment portfolio.
 - The ability to identify legal restrictions for purchasing municipal bonds for an investment portfolio.
 - The ability to describe a realistic interest rate spread (the response should reflect a general understanding of the area).
 - Knowledge of mismatched maturities.
 - Knowledge of strategies to avoid maturity mismatching.
- Capital:

Plans for augmenting capital (including his or her own ability and willingness to contribute additional funds) in the event earnings projections do not prove accurate.
- Marketing:
 - The experience and success of the person(s) who will be responsible for this area.
 - Marketing plans relative to the proposed bank and competition.
- Year 2000 readiness:

Considers comments from Bank Information Systems examiner about:

 - The applicant's year 2000 compliance action plan properly identifying critical applications and systems that need to be year 2000 compliant.
 - The applicant's due diligence efforts to provide the bank with sufficient information to assess its vendors' ability to provide year 2000 compliant products and services and monitor the vendors' year 2000 conversion efforts.
 - Whether the bank plans to offer PC or Internet banking. If so, advises Licensing staff who will consult with BOS.
- Miscellaneous reporting requirements on currency transactions.

8. May elect to ask the interviewed executive officer about any of the following lending matters as they relate to personal experience and/or the operating plan for this specific proposed bank.

- Knowledge of appropriate lending areas (e.g., commercial, retail, real estate, credit card) and describe:
 - How security interests are perfected for the particular specialty area (e.g., cattle, aircraft, real estate).
 - How progress and control are monitored for a construction loan.
 - The information necessary to assess properly an accounts receivable loan.
 - The level of loan review and collection experience and describe:
 - The elements considered to determine whether credit is a problem.
 - The characteristics of an appropriate nonaccrual policy.
 - An acceptable loan loss ratio relative to the total loan portfolio. (The answer should reflect a general understanding of the area.)
 - How the adequacy of the loan loss reserve will be determined.
 - How credit quality will be monitored.
 - The anticipated portfolio structure, in percentages. (Compare the answer with information in the application.)
 - The person's experience in establishing a loan support function and describe:
 - How the loan support function will be established and operate.
 - How compliance with documentation requirements will be monitored.
 - How the credit review function will be handled.
 - Familiarity with consumer compliance laws and regulations and describe:
 - The Community Reinvestment Act and how the new bank can best determine and serve the needs of its community.
 - The annual percentage rate components.
 - The important points relative to compliance with Regulation B.
 - Knowledge of when a right of rescission is required.
9. Meets with management and the board of directors at the conclusion of the visit to inform them of the findings (see the "Meeting with Boards of Directors" booklet of *The Comptroller's Handbook*.)
 10. Discusses deficiencies, recommendations, and suggestions with proposed management and the board of directors.

11. Does not inform anyone outside of the OCC of the contents of the investigation report.

Report Preparation

12. Prepares and forwards to the assigned licensing analyst (no later than the date identified in the request) a written report in memorandum form that:
 - Summarizes briefly findings and conclusions, specifically addressing any problems or areas of concern.
 - Retains the charter file, including the application, all investigation workpapers, and a copy of the written report.
13. Enters into SMS a background profile of the bank. (SMS may be accessed by the bank's charter number; however, the bank will still be inactive at this time).

Affiliates, Transactions with

Laws 12 USC 371c, 371c-1
Regulation 12 CFR 31

Articles of Association

Laws 12 USC 21, 21a
Indemnification
Regulation 12 CFR 7.2014
Lost Stock Certificates
Regulation 12 CFR 7.2018
Preemptive Rights
Regulation 12 CFR 7.2021
Quorum
Regulation 12 CFR 7.2009
Shareholder Meetings
Laws 12 USC 71, 75
Vacancies in Board
Law 12 USC 74
Regulation 12 CFR 7.2007

Authorization to Commence Banking Business

Laws 12 USC 26, 27

Background Investigations

Regulations 28 CFR 16.34, 50.12

Bank Premises, Investment in

Law 12 USC 371d
Regulation 12 CFR 5.37

Bank Protection Act

Laws 12 USC 1882, 1884
Regulation 12 CFR 21

Bank Secrecy Act

Regulation 31 CFR 103

Bank Stock Loans

Law 12 USC 83
Regulation 12 CFR 7.2019

Bankers' Bank

Law 12 USC 27(b)

Regulation	12 CFR 5.20
Branches	
Law	12 USC 36
Regulation	12 CFR 5.30
Capital Requirements	
Laws	12 USC 51, 51c
Regulation	12 CFR 3
Capital Stock	
Laws	12 USC 51c, 52
Regulations	12 CFR 7.2016, 7.2017, 7.2018
Capital Stock Required to Commence Business	
Law	12 USC 53
Capital Structure Change	
Laws	12 USC 56, 57, 59
Regulations	12 CFR 5.46, 7.2020
CEBA Credit Card Bank	
Law	12 USC 1841(c)(2)(F)
Regulation	12 CFR 5.20
Certificate	
Law	12 USC 27
<i>Filing and Preservation</i>	
Law	12 USC 23
Change in Directors and Senior Executive Officers	
Law	12 USC 1831i
Regulation	12 CFR 5.51
Civil Money Penalties	
Laws	12 USC 504, 1818(l); 18 USC 1001, 1007
Issuance	PPM-5000-7 (Rev.)
Community Development Financial Institutions	
Law	12 USC 4701, et. seq.
Community Development Investments	
Law	12 USC 24(11)
Regulation	12 CFR 24

Community Reinvestment Act

Law	12 USC 2901 et. seq.
Regulation	12 CFR 25

Convicted Individuals

Law	12 USC 1829
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Corporate Powers and Investment Securities

Law	12 USC 24
Regulation	12 CFR 1

Covered Transactions

Laws	12 USC 371c, 371c-1
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Depository Institutions Management Interlocks Act

Laws	12 USC 3201-3208
Regulation	12 CFR 26

Directors*Citizenship Requirement*

Law	12 USC 72
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Convicted of a Crime

Law	12 USC 1829
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Delegation of Duties

Regulation	12 CFR 7.2010
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Election

Law	12 USC 71
Regulations	12 CFR 7.2003, 7.2006

Engaged in Underwriting

Law	12 USC 78
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Extensions of Credit

Law	12 USC 375b
Regulations	12 CFR 31, 215

Honorary

Regulation	12 CFR 7.2004
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Indemnification of

Regulation	12 CFR 7.2014
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Liability

Laws	12 USC 93, 503
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Number of

Law	12 USC 71a
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Oath of

Law	12 USC 73
Regulation	12 CFR 7.2008

Payment of Interest to

Law	12 USC 376
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<i>President, as</i>	
Law	12 USC 76
Regulation	12 CFR 7.2012
<i>Proxy, as</i>	
Regulation	12 CFR 7.2002
<i>Purchases from and Sales by</i>	
Law	12 USC 375
<i>Qualifications of</i>	
Law	12 USC 72
Regulation	12 CFR 7.2005
<i>Quorum</i>	
Regulation	12 CFR 7.2009
<i>Residency</i>	
Law	12 USC 72
<i>Vacancy in</i>	
Law	12 USC 74
Regulation	12 CFR 7.2007
Employee Retirement Income Security Act (ERISA) of 1974	
Law	29 USC 1001
Examination of National Banks	
Law	12 USC 481
Executive Officers	
<i>Cashier</i>	
Regulation	12 CFR 7.2015
<i>Extensions of Credit to</i>	
Laws	12 USC 375a, 375b
Regulations	12 CFR 31, 215
<i>Liability</i>	
Laws	12 USC 93, 504
<i>Loans to</i>	
Laws	12 USC 375a, 375b
Regulations	12 CFR 31, 215
<i>Payment of Interest to</i>	
Law	12 USC 376
FDIC Insurance	
Laws	12 USC 1815, 1816
Regulation	12 CFR 327
Federal Reserve Membership	
Laws	12 USC 222, 282, 501a
Regulation	12 CFR 209

Fidelity Insurance	
Regulation	12 CFR 7.2013
Filing Fees	
Regulation	12 CFR 5.5
Fraudulent Statements	
Law	18 USC 1001
Holidays	
Law	12 USC 95
Regulation	12 CFR 7.3000
Indemnification of Directors, Officers, and Employees	
Regulation	12 CFR 7.2014
Independent External Audit	
Laws	12 USC 1831m, 15 USC 78m
Regulations	12 CFR 11, 363 and 17 CFR 210
Insider Activities	
Laws	12 USC 375, 375a, 375b, 376
Regulations	12 CFR 31, 215
Publication	<i>Comptroller's Handbook, "Insider Activities"</i>
Interbank Deposits as Compensating Balances	
Law	12 USC 1972
Interlocking Directors and Officers	
Laws	12 USC 3201, et. seq., 15 USC 19
Lending Limits	
Law	12 USC 84
Regulation	12 CFR 32
Location, Change of	
Law	12 USC 30
Regulation	12 CFR 5.40
Name	
Laws	12 USC 22, 30, 35
Regulation	12 CFR 5.42
National Environmental Policy Act	
Laws	42 USC 4321-4347
Regulation	40 CFR 1500

National Historic Preservation Act	
Laws	16 USC 470-470x-6
Regulation	36 CFR 800
Organization Certificate	
Laws	12 USC 22, 23
Organization Costs	
Regulation	12 CFR 5.20
Organization of National Bank	
Law	12 USC 21
Regulation	12 CFR 5.20
Place of Business	
Laws	12 USC 22, 81
Participation in Lotteries	
Law	12 USC 25a
Publication of Application	
Regulation	12 CFR 5.8
Recordkeeping and Confirmation Requirements for Securities Transactions	
Regulation	12 CFR 12
Sale of Insurance	
Law	12 USC 92
Securities Firm Affiliation	
Laws	12 USC 78, 377
Securities Offering Disclosure Rules	
Regulation	12 CFR 16
Security Devices and Procedures	
Laws	12 USC 1882, 1884
Regulation	12 CFR 21
Theft, Embezzlement, or Misapplication	
Law	18 USC 656
Regulation	12 CFR 21
Title	
Laws	12 USC 22, 30, 35
Regulation	12 CFR 5.42

Trust Bank or Company

Laws

12 USC 27, 92a, 1841(c)(2)(D)

Regulations

12 CFR 5.26, 9

Voting Trusts

Regulation

12 CFR 7.2022

Year 2000 Issues

Advisory Letters

OCC [AL 97-6](#), [97-10](#), [98-1](#), [98-3](#)

Letter to CEO of National Banks
and Bank Vendor Companies on
Year 2000, dated September 30,
1997

Standard Requirements

The OCC imposes the following standard requirements on most charter requests.

- Any significant deviations from the operating plan or changes in the organizing group or chief executive officer must receive prior written OCC approval. Significant deviations or changes that have not been approved may be grounds for delaying issuance of the charter or withdrawing preliminary approval. (See the Significant Changes discussion in the Introduction of the "[Corporate Organization](#)" booklet.)
- For a period of two years after the bank has opened for business, the OCC must review and have no objection to any new executive officer or director prior to that person assuming such position. The proposed person may not assume the position, until the OCC has issued a letter of no objection.

Since this condition is imposed pursuant to the OCC's chartering authority, the OCC is not subject to the 30-day review period imposed by 12 USC 1831i. However, the OCC will process all such notices in a timely manner using the procedures in the "[Change in Directors and Senior Executive Officers](#)" booklet.

- The OCC requires that, prior to opening, the (bank name) engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to enable the auditor to render an opinion on the financial statements of the bank (or consolidated holding company), taken as a whole. The audit period shall commence on the date that the organizing group forms a body corporate and may end on any calendar quarter-end no later than 12 months after the bank opens. The OCC expects that such audits will be performed annually for at least three years following commencement of operations. Engagement of an auditor will be verified during the preopening examination (see the "[Corporate Organization](#)" booklet).
- **[If applicable]** Warrants issued to bank organizers must include the following provision:

If (name of bank)'s capital falls below the minimum requirements contained in 12 CFR 3 or below a higher requirement as determined by the OCC, the OCC may direct (name of bank) to require warrant holders to exercise or forfeit their warrants. (Name of bank) will

notify warrant holders within 45 days from the date the OCC notifies the bank in writing that warrant holders must exercise or forfeit their warrants. (Name of bank) will cancel warrants not exercised within 21 days of (name of bank)'s notification. (Name of bank) has agreed to comply with any OCC request that (name of bank) invoke its right to require warrant holders to exercise or forfeit their warrants under the previous circumstances.

As a requirement of this approval, (name of bank) agrees to invoke the "exercise or forfeit" feature at the OCC's request under the previous circumstances.

- The proposed bank must ensure that internal systems will be year 2000 compliant. It also must perform due diligence to ensure that any third-party data processing servicers or purchased applications or systems from software vendors will be year 2000 compliant.
- The bank's financial statements must be prepared on an accrual basis according to generally accepted accounting principles.
- The president must serve as a member of the board of directors.
- If the capital for the new bank is not raised within 12 months or if the new bank is not opened for business within 18 months from the preliminary approval date, preliminary approval will be withdrawn. The OCC is opposed to granting extensions, except under the most extenuating circumstances, and expects that the organizers will proceed, as presented in the application, to take the steps necessary for the bank to open for business as soon as possible.
- All persons who, together with their interests, subscribe to 10 percent or more of the initial stock offering must submit biographical and financial reports for review to the Licensing staff prior to acquisition of their shares. The Licensing staff must have no objection to such persons before they purchase their shares. Subsequent to opening the national bank, requirements of the Change in Bank Control Act (12 USC 1817(j)) will apply. Changes in the composition of members or trustees of a voting trust or voting agreement also may be subject to the requirements of the Change in Bank Control Act.
- Stock subscription funds collected during the organization of the bank and held for investment may be invested, directly or indirectly (e.g., mutual funds) only in U.S. government securities (bills, bonds, or notes).
- Stock certificates must not be issued prior to the date the bank opens for business, but must be issued immediately following the bank's opening.

- The bank must have adequate fidelity insurance covering all persons authorized to collect, receive, or deposit funds from stock subscriptions. The bank must purchase adequate fidelity bond coverage in accordance with 12 CFR 7.2013, which lists four factors the directors should consider to determine adequacy. This insurance must be in force from the effective date of the offering circular until the bank opens for business (see the "[Corporate Organization](#)" booklet).
- The board of directors must develop written policies and procedures that will guide the bank's operations in a safe and sound manner. Those policies must be completed no later than the date of the applicant's request for a preopening examination. In addition, the board of directors must review and adopt the policies and procedures at its first meeting (see [Appendixes, Minimum Policies and Procedures](#)). The board of directors is responsible for regular review and modification of policies and procedures and for assuring continuous compliance with them.
- Organizational and preopening expenses significantly exceeding those projected in the application, and/or net capital significantly less than that projected in the application, are a basis for revocation of preliminary approval. Capital adequacy is not the sole reason to determine the acceptability of organization costs. The OCC will evaluate the reasonableness of preopening expenses (see the "[Corporate Organization](#)" booklet).
- **[Standard submission]** A letter must be submitted to the district office at least 45 days before the bank is scheduled to open, notifying the OCC that all conditions and requirements necessary to receive a national bank charter have been met, requesting a preopening examination, and providing the anticipated opening date.

or

[Streamlined submission] A letter must be submitted to the district office at least 10 days before the bank is scheduled to open, notifying the OCC that all conditions and requirements necessary to receive a national bank charter have been met, forwarding certain documentation and providing the anticipated opening date.

- **[If applicable]** If some of the parent company's directors are directors of nonaffiliated depository institutions with assets in excess of \$2.5 billion, the Depository Institutions Management Interlocks Act (DIMIA) prohibits the interlocking directorates when the bank's assets exceed \$1.5 billion. However, if the directors are engaged "exclusively" in the management of a retail merchandising business, the directors would not fall within

the definition of "management official" for purposes of the DIMIA (see the "[Management Interlocks](#)" booklet).

- **[For uninsured trust banks]** The limitations of the bank's activities must be fully enumerated in the bank's [Articles of Association](#). Specifically, the articles must state clearly that: 1) the business of the association will be limited to that of a national trust bank; and, 2) the bank must obtain the prior written OCC approval before amending its Articles of Association to expand the scope of its activities and services.

[For CEBA credit card banks] The limitations of the bank's activities must be enumerated fully in the [Articles of Association](#). Specifically, the articles must state that: 1) the business of the association will be limited to that of a national credit card bank as specified in the Competitive Equality Banking Act of 1987; and, 2) the bank must obtain the prior written approval of the OCC before amending its Articles of Association to expand the scope of its activities and services.

- **[For non-CEBA credit card banks]** The limitations of the bank's activities must be enumerated fully in the [Articles of Association](#). Specifically, the articles must state: 1) the business of the association will be limited to that of a credit card bank; and, 2) the bank must obtain the prior written approval of the OCC before amending its Articles of Association to expand the scope of its activities and services.
- **[For bankers' banks]** The limitations of the bank's activities must be enumerated fully in the [Articles of Association](#). Specifically, the articles must state that: 1) the business of the association will be limited to that of a national bankers' bank; and, 2) the bank must obtain the prior written approval of the OCC before amending its Articles of Association to expand the scope of its activities and services.
- **[For bankers' bank waivers]** In your application, you requested waiver/exemption from the following statutes, laws, and regulations: (list the legal cite and title). The OCC performed a legal review and analysis of the material submitted with your waiver request. [Insert either a. or b. here.]
 - a. Based on that review, the following waivers are granted: (list the legal cite and title).
 - b. We are unable to grant a waiver/exemption as requested from (list the legal cite and title).

Additional requests for waivers consistent with your proposal may be submitted during the organization phase.

- **[For cash management banks]** The limitations of the bank's activities must be enumerated fully in the [Articles of Association](#). Specifically, the articles must state that: 1) the business of the association will be limited to that of a cash management bank; and, 2) the bank must obtain the prior written approval of the OCC before amending its Articles of Association to expand the scope of its activities and services.
- **[For community development banks (if the bank is and/or will be seeking funding from national bank investors)]** The community development focus of (name of bank)'s activities must be included in its [Articles of Association](#). Specifically, the articles must state that the business of the association will be designed primarily to promote the public welfare consistent with the requirements for national bank investment in community development projects pursuant to national banking laws and regulations, including 12 USC 24 (Eleventh) and 12 CFR 24.
- **[For all banks with affiliates]** Any services performed by affiliates for the bank and payments to said affiliates by the bank will be rendered pursuant to contracts that comply with federal law and regulation, reflect safe and sound practices, and are at costs similar to those the bank would pay an independent third party for the same services. The contracts must be submitted to the (name) district office for review prior to or at the time corporate existence is established.

Minimum Policies and Procedures

Some of those policies and procedures may not be applicable to special purpose banks. The board must adopt and monitor those policies and procedures applicable to the bank's activities.

1. Lending policy, including:
 - a. Fundamental elements of a sound loan policy as described in the "Loan Portfolio Management" booklet of the *Comptroller's Handbook*.
 - b. Loan administration procedures designed to ensure that no extensions of credit are granted without first obtaining and analyzing current and satisfactory credit information as well as satisfactory and, in the case of secured loans, perfected collateral documentation.
 - c. Internal loan review procedures to review periodically the loan portfolio to identify and categorize problem credits.
 - d. Board approval of management's review of the adequacy of the bank's allowance for possible loan losses and maintenance of an adequate allowance consistent with the comments in the "Allowance for Loan and Lease Losses" booklet of the *Comptroller's Handbook*.
 - e. Procedures to ensure that the bank:
 - Takes immediate and continuing action to protect its interest in any and all assets displaying any evidence of weakness.
 - Monitors concentrations of credit and safeguards against unsound concentrations of credit.
 - Prices its credits properly.
 - f. Procedures to ensure compliance with *all* applicable laws and regulations, including, for example, lending limits and loans to insiders.
2. Funds management policy, including:
 - a. A coordinated asset/liability management strategy consistent with the comments in the "Asset/Liability Management" booklet of the *Comptroller's Handbook*.

- b. Procedures to enable the board and management to monitor liquidity and interest rate risk.
 - c. Guidelines for the bank's use of brokered and other volatile funds with a specific description of the nature, extent, and purpose of their use.
 - d. A policy consistent with the comments in the "Investments/Chief Managing Officer's" booklet of the *Comptroller's Handbook*, within which the bank must operate when purchasing and selling investment securities. The policy should specifically define the bank's investment strategies.
 - e. A borrowed funds policy consistent with the comments in the "Nondepository Funding" booklet of the *Comptroller's Handbook*.
3. Fiduciary policies and procedures for banks with trust powers and for trust companies, including:
- a. Development and implementation of procedures for administration of fiduciary accounts in conformance with 12 CFR 9 and other applicable laws. These procedures should be consistent with those contained in the *Comptroller's Handbook for Fiduciary Activities* ("Trust Handbook").
 - b. Provisions for the establishment and administration of the trust department, through the adoption of bylaws or resolutions, according to 12 CFR 9.4. Such provisions should include a proper delineation of duties and responsibilities for trust officers and committees consistent with those in the Trust Handbook.
 - c. Procedures to ensure that the bank:
 - Invests funds held in a fiduciary capacity awaiting investment or distribution as required by 12 CFR 9.10(a) and described in the Trust Handbook.
 - Pledges securities to secure trust funds on deposit in the bank as required by 12 CFR 9.10(b) and discussed in the Trust Handbook.
 - Pledges securities with state authorities where required by local law according to 12 CFR 9.14.

- d. Board designation of the officers or employees responsible for the custody of fiduciary assets as required by 12 CFR 9.13 and consistent with the guidelines in the Trust Handbook.
 - e. The trust bank's policies and procedures as required by 12 CFR 9.5 address brokerage placement practices, including:
 - The selection of persons to effect securities transactions and the evaluation of the reasonableness of any brokerage commissions paid to such persons.
 - Any acquisition of services or products, including research services, in return for brokerage commissions.
 - The allocation of research or other services among accounts.
 - The need, in appropriate instances, to make disclosures about such policies and procedures to prospective and existing customers.
 - f. Written policies and procedures governing the processing of securities transactions according to 12 CFR 12.7.
4. Capital policy, including:
- a. Specific plans to maintain capital at a level consistent with the requirements of 12 CFR 3. [For trust bank charters: Specific plans to maintain capital at an acceptable level, addressing the risks unique to this type of business, should be established.]
 - b. Procedures to develop and maintain a three-year capital plan, with projections for growth and capital requirements based on a detailed analysis of the bank's assets, liabilities, earnings, fixed asset expansion, and dividends.
 - c. A dividend policy consistent with the three-year capital plan and the bank's plans to maintain capital at or above the level required by 12 CFR 3 (or an otherwise adequate level as approved by the OCC).
 - d. Procedures to develop annual profit plans that contain realistic and comprehensive budgets (with projected balance sheets and year-end income statements) and to describe the operating assumptions that form the basis of the projections.

- e. A process whereby the bank periodically reviews the policy to ensure it reflects any changes in laws, rules, or regulations pertaining to capital and dividends.
5. Internal and external audit policies, including:
- a. The development and implementation of an internal control system that provides for effective risk assessment, timely and accurate reports, safeguarding and management of assets, and compliance with applicable laws and regulations. These procedures should be consistent with the "Internal and External Audit" and "Internal Controls" booklets of the *Comptroller's Handbook*.
 - b. Procedures to ensure that the bank maintains minimum security devices and procedures as required by 12 CFR 21.
 - c. Internal control systems to ensure ongoing compliance with the currency reporting and recordkeeping requirements of the Bank Secrecy Act (BSA). Personnel should be trained in BSA procedures and one or more persons designated to monitor day-to-day compliance.
 - d. [If applicable] The development and implementation of a fiduciary audit program to ensure that the bank is complying with 12 CFR 9, applicable state and federal law, and sound fiduciary principles. Also required (12 CFR 9.9) are the appointment and establishment of a trust audit committee. (Refer to the *Comptroller's Handbook for Compliance* (Compliance Handbook) and the Trust Handbook.)
6. Insider policies, including:
- a. The development and implementation of a written policy according to the "Insiders Activities" booklet of the *Comptroller's Handbook*.
 - b. [Applicable to trust banks] Written policies and procedures, as required by 12 CFR 9.5 and the guidelines in the Trust Handbook, to prohibit the use of material inside information in investment decisions or recommendations.
7. Compliance policies, including, if applicable:
- a. A compliance program covering consumer, fair lending, and community laws and regulations, approved by the board and management, that includes (see the Compliance Handbook):

- Delegation of compliance responsibilities to specific bank personnel.
 - Written guidance for, and training of, employees covering applicable laws and regulations.
 - A mechanism to report deficiencies and ensure corrective action.
- b. Branch closing policy (applicable to national banks with branches), including:
- Procedures for determining objectively which branch or branches to close and which customers to notify.
 - Procedures and methods for providing the notices required by 12 USC 1831r-1.
- c. A BSA program to fulfill the requirements of 12 CFR 21.21. The board of directors for each national bank must approve written procedures designed to monitor the bank's compliance with the requirements of the Bank Secrecy Act regulations, 31 CFR 103. The compliance program must provide for a system of internal controls to ensure ongoing compliance; provide independent testing for compliance; designate a person responsible for coordinating and monitoring day-to-day compliance; and provide training for appropriate personnel. The BSA compliance program must be approved by the board of directors.
- d. [If applicable] Development and implementation of policies and procedures for the administration of the rules governing securities transactions for broker-dealer activities. These include banking laws and regulations under 12 CFR 1, 12 CFR 10, 12 CFR 12, 15 USC 78o (Municipal Securities Rulemaking Board rules), and 17 CFR 400 (regulations under section 15C of the Securities Exchange Act of 1934 as amended by the Government Securities Act of 1986). In addition, the procedures should be consistent with the Securities Exchange Act of 1934 and the SEC's rules, specifically 17 CFR (commodity and securities). The procedures should address:
- Municipal and government securities dealer registration and professional qualifications.
 - Trading and underwriting.

- Sales and uniform practices.
 - Recordkeeping and retention.
 - Supervision.
- e. Development and implementation of procedures for the preparation, review for accuracy, and submission of required regulatory reports. The procedures should address:
- The requirements that the bank prepare all financial statements on an accrual basis according to generally accepted accounting principles.
 - Regular financial report filings (such as Quarterly Reports of Condition and Income, Annual Report of Trust Assets and Special Report of Trust Activities, as applicable, annual financial disclosures (12 CFR 18), and annual minimum security devices and procedures report).
 - Operations reports (such as bank robbery notification reports).
 - SEC reports (for covered banks).
 - Reports to shareholders.
 - Other reports as detailed in the *Comptroller's Handbook*.
8. Board supervision policy consistent with the "Duties and Responsibilities" booklet of the *Comptroller's Handbook* and *The Directors Book*, including:
- a. A method for periodically reviewing and revising, as necessary, the aforementioned policies.
 - b. Procedures to assess management's performance.
 - c. A method to assess whether board members are receiving adequate information on the bank's operation to enable them to fulfill their fiduciary responsibilities.

- d. A method to evaluate whether board members are acting responsibly and expeditiously in fulfilling their duties as directors.
- 9. Year 2000 policy and action plan.
- 10. Disaster recovery plan.